

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

VILLAGE OF BOSQUE FARMS, NEW MEXICO

**Financial Statements, Supplementary Information
and
Independent Auditors' Report**

June 30, 2008

VILLAGE OF BOSQUE FARMS, NEW MEXICO

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VILLAGE OF BOSQUE FARMS, NEW MEXICO

List of Principal Officials

June 30, 2008

Elected Officials

Wayne Ake	Mayor
Robert G. Knowlton	Mayor Pro-Tem
William Kennedy	Councilor
Dolly Wallace	Councilor
Virgil Proctor	Councilor

Administrative Officials

Gayle Jones	Administrator
Deborah Kelly	Treasurer

Independent Auditors' Report

Mr. Hector H. Balderas, Auditor and
Mr. Wayne Ake, Mayor and
The Village Council
Village of Bosque Farms, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general and streets funds, of the Village of Bosque Farms (Village), as of and for the year ended June 30, 2008, 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 presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparison statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and streets funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor governmental funds and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Mr. Wayne Ake, Mayor and
The Village Council
Village of Bosque Farms, New Mexico

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2008 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 *Governmental Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

For the year ended June 30, 2008, the Village has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual financial statements and budgetary comparisons of the Village. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Park & Associates LLC

Albuquerque, New Mexico
November 20, 2008

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,023,259	1,313,898	2,337,157
Receivables			
Taxes			
Gross receipts	162,738	-	162,738
Gasoline	11,785	-	11,785
Motor vehicle	2,778	-	2,778
Property	1,660	-	1,660
Franchise	36,929	-	36,929
Cigarette	327	-	327
Fees	3,548	-	3,548
Grants	520,543	-	520,543
Accounts receivable, net of allowance	-	110,892	110,892
Restricted cash	-	160,282	160,282
Capital assets, not depreciated	1,216,100	1,543,336	2,759,436
Capital assets, net of accumulated depreciation	3,013,670	11,521,287	14,534,957
	<hr/>		
Total assets	5,993,337	14,649,695	20,643,032
LIABILITIES			
Accounts payable	451,766	2,654	454,420
Accrued compensation and benefits	2,348	442	2,790
Interest payable	-	19,424	19,424
Excess cash in water deposits	-	9,460	9,460
Deposits payable	-	42,475	42,475
Noncurrent liabilities:			
Compensated absences, due in one year	30,000	2,397	32,397
Compensated absences, due in more than one year	6,330	-	6,330
Long-term liabilities, due in one year	35,314	110,441	145,755
Long-term liabilities, due in more than one year	60,418	1,545,115	1,605,533
	<hr/>		
Total liabilities	586,176	1,732,408	2,318,584
NET ASSETS			
Invested in capital assets, net of related debt	4,134,038	11,704,623	15,838,661
Restricted for debt service	-	160,282	160,282
Unrestricted	1,273,123	1,052,382	2,325,505
	<hr/>		
Total net assets	\$ 5,407,161	12,917,287	18,324,448

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Streets	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 705,056	46,355	41,859
Receivables			
Taxes			
Gross receipts	158,509	-	-
Gasoline	-	11,785	-
Motor vehicle	2,778	-	-
Property	1,660	-	-
Franchise	36,929	-	-
Cigarette	218	-	-
Fees	-	-	-
Grants	34,714	432,270	50,098
Due from other funds	-	-	32,511
Total assets	\$ 939,864	490,410	124,468
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	431,335	13,820
Accrued compensation and benefits	2,348	-	-
Deferred revenue	-	-	32,488
Due to other funds	32,511	-	-
Total liabilities	34,859	431,335	46,308
FUND BALANCES			
Unreserved, undesignated reported in:			
General fund	905,005	-	-
Special revenue funds	-	59,075	-
Capital projects funds	-	-	78,160
Total fund balances	905,005	59,075	78,160
Total liabilities and fund balances	\$ 939,864	490,410	124,468

The accompanying notes are an integral part of these financial statements.

Nonmajor Governmental	
Funds	Total
229,989	1,023,259
4,229	162,738
-	11,785
-	2,778
-	1,660
-	36,929
109	327
3,548	3,548
3,461	520,543
-	32,511
<hr/>	
241,336	1,796,078
<hr/>	
6,611	451,766
-	2,348
-	32,488
-	32,511
<hr/>	
6,611	519,113
<hr/>	
-	905,005
234,725	293,800
-	78,160
<hr/>	
234,725	1,276,965
<hr/>	
241,336	1,796,078
<hr/>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

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

Total fund balance - governmental funds	\$ 1,276,965
Accrued compensated absences not payable from current revenues.	(36,330)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	32,488
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,229,770
Long-term liabilities, including capital leases payable, are not and payable in the current period and, therefore are not reported in the governmental fund.	<u>(95,732)</u>
Net assets - governmental activities	<u><u>\$ 5,407,161</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Streets	Capital Projects
Revenues			
Taxes	\$ 1,026,711	73,869	-
Licenses, permits, fees and fines	162,272	-	-
Grants	268,578	505,049	598,198
Interest	23,414	2,808	-
Other	32,065	-	-
Total revenues	<u>1,513,040</u>	<u>581,726</u>	<u>598,198</u>
Expenditures			
Current			
General government	459,309	-	-
Public safety	969,243	-	-
Highways and streets	160,424	58,676	-
Culture and recreation	117,441	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	64,552	575,692	607,447
Total expenditures	<u>1,770,969</u>	<u>634,368</u>	<u>607,447</u>
Excess (deficiency) of revenues over expenditures before other financings sources	<u>(257,929)</u>	<u>(52,642)</u>	<u>(9,249)</u>
Other Financing Sources (Uses)			
Proceeds from the issuance of capital leases	-	-	-
Operating transfers in	220,000	-	65,021
Operating transfers out	(85,021)	-	-
Total other financing sources (uses)	<u>134,979</u>	<u>-</u>	<u>65,021</u>
Net change in fund balances	<u>(122,950)</u>	<u>(52,642)</u>	<u>55,772</u>
Fund balance, beginning of year	<u>1,027,955</u>	<u>111,717</u>	<u>22,388</u>
Fund balance, end of year	<u>\$ 905,005</u>	<u>59,075</u>	<u>78,160</u>

The accompanying notes are an integral part of these financial statements.

Nonmajor
Governmental

Funds	Total
23,470	1,124,050
109,785	272,057
92,419	1,464,244
7,237	33,459
1,500	33,565
<u>234,411</u>	<u>2,927,375</u>

697	460,006
157,242	1,126,485
-	219,100
1,330	118,771
16,913	16,913
189	189
<u>114,225</u>	<u>1,361,916</u>
<u>290,596</u>	<u>3,303,380</u>

(56,185) (376,005)

83,972	83,972
-	285,021
-	<u>(85,021)</u>

83,972 283,972

27,787 (92,033)

206,938 1,368,998

234,725 1,276,965

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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

Net changes in fund balances - governmental funds \$ (92,033)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(247,442)	
Loss on disposal of capital assets	(13,731)	
Capital outlay	<u>1,261,258</u>	
Excess of capital outlay over depreciation expense		1,000,085

The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, but has no effect on net assets. (83,972)

The repayment of the principal of capital loans consumes the current financial resources of governmental funds, but has no effect on net assets. 33,200

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (4,595)

Change in net assets - governmental activities \$ 852,685

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 1,150,419	1,155,967	1,025,479	(130,488)
Licenses, permits, fees and fines	148,350	151,691	162,272	10,581
Grants	221,464	270,441	268,578	(1,863)
Interest	36,236	36,236	23,414	(12,822)
Other	20,300	26,250	32,065	5,815
Total revenues	1,576,769	1,640,585	1,511,808	(128,777)
Expenditures				
General government	394,387	405,064	439,816	(34,752)
Public safety	1,036,825	1,056,134	969,243	86,891
Highways and streets	153,544	157,217	160,424	(3,207)
Culture and recreation	125,631	128,529	117,441	11,088
Capital outlay	36,168	79,173	64,552	14,621
Total expenditures	1,746,555	1,826,117	1,751,476	74,641
(Deficiency) excess of revenues over expenditures	(169,786)	(185,532)	(239,668)	(54,136)
Other financing sources (uses)				
Operating transfers in	236,500	236,500	220,000	(16,500)
Operating transfers out	(20,000)	(20,000)	(85,021)	(65,021)
Total other financing sources (uses)	216,500	216,500	134,979	(81,521)
Net change in fund balance	46,714	30,968	(104,689)	(135,657)
Fund balance, beginning of year	1,027,955	1,027,955	1,027,955	-
Fund balance, end of year	\$ 1,074,669	1,058,923	923,266	(135,657)
Non-GAAP change in fund balance			\$ (104,689)	
Change in:				
Accounts receivable			1,232	
Accounts payable			4,743	
Accrued compensation and benefits			(24,236)	
GAAP change in fund balance			<u>\$ (122,950)</u>	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
STREETS
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 68,292	68,292	73,869	5,577
Grants	412,968	891,679	143,772	(747,907)
Other	3,000	3,000	2,808	(192)
Total revenues	484,260	962,971	220,449	(742,522)
Expenditures				
Highways and streets	20,557	21,549	58,676	(37,127)
Capital outlay	551,628	1,092,621	222,464	870,157
Total expenditures	572,185	1,114,170	281,140	833,030
Excess of revenues over expenditures	(87,925)	(151,199)	(60,691)	90,508
Other financing sources (uses)				
Operating transfers out	(6,500)	(6,500)	-	6,500
Total other financing uses	(6,500)	(6,500)	-	6,500
Net change in fund balance	(94,425)	(157,699)	(60,691)	97,008
Fund balance, beginning of year	111,717	111,717	111,717	-
Fund balance, end of year	\$ 17,292	(45,982)	51,026	97,008
Prior year cash appropriated		45,982		
		-		
Non-GAAP change in fund balance			\$ (60,691)	
Change in:				
Accounts receivable			361,277	
Accounts payable			(353,228)	
GAAP change in fund balance			\$ (52,642)	

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
BALANCE SHEET -
PROPRIETARY FUNDS
June 30, 2008

	Waste Water	Water	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 857,030	456,868	1,313,898
Accounts receivable, net of allowance	67,909	42,983	110,892
Restricted cash	114,424	45,858	160,282
Total current assets	1,039,363	545,709	1,585,072
Capital Assets			
Land and water rights	1,154,573	388,763	1,543,336
Plant and equipment	14,188,417	1,762,694	15,951,111
Accumulated depreciation	(3,843,221)	(586,603)	(4,429,824)
Total capital assets, net of accumulated depreciation	11,499,769	1,564,854	13,064,623
Total assets	\$ 12,539,132	2,110,563	14,649,695
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ -	2,654	2,654
Accrued compensation and benefits	205	237	442
Interest payable	14,531	4,893	19,424
Excess cash in water deposits	-	9,460	9,460
Deposits payable	-	42,475	42,475
Compensated absences	860	1,537	2,397
Loans payable - current	-	90,441	90,441
Bonds payable - current	20,000	-	20,000
Total current liabilities	35,596	151,697	187,293
Noncurrent Liabilities			
Loans payable	-	205,115	205,115
Bonds payable	1,340,000	-	1,340,000
Total noncurrent liabilities	1,340,000	205,115	1,545,115
Total liabilities	1,375,596	356,812	1,732,408
Net Assets			
Invested in capital assets, net of related debt	10,139,769	1,564,854	11,704,623
Restricted for debt service	114,424	45,858	160,282
Unrestricted	909,343	143,039	1,052,382
Total net assets	11,163,536	1,753,751	12,917,287
Total liabilities and net assets	\$ 12,539,132	2,110,563	14,649,695

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Waste Water	Water	Total
Operating Revenues			
Sales and services	\$ 433,750	466,861	900,611
Operating expenses	370,423	239,100	609,523
Depreciation	393,628	75,900	469,528
Total operating expenses	<u>764,051</u>	<u>315,000</u>	<u>1,079,051</u>
Operating (Loss) Income	<u>(330,301)</u>	<u>151,861</u>	<u>(178,440)</u>
Nonoperating Revenues (Expenses)			
Gross receipts tax	115,682	-	115,682
Interest income	37,966	19,608	57,574
Interest expense	(83,531)	(16,394)	(99,925)
Transfers in	26,313	21,117	47,430
Transfers (out)	(115,430)	(132,000)	(247,430)
Total nonoperating revenues (expenses)	<u>(19,000)</u>	<u>(107,669)</u>	<u>(126,669)</u>
Net (loss) income	<u>(349,301)</u>	<u>44,192</u>	<u>(305,109)</u>
Net assets, beginning of year	11,512,837	1,709,559	13,222,396
Net assets, end of year	<u>\$ 11,163,536</u>	<u>1,753,751</u>	<u>12,917,287</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Waste Water	Water	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 435,527	465,320	900,847
Cash payments to vendors and employees	(373,985)	(243,427)	(617,412)
Net cash provided by operating activities	<u>61,542</u>	<u>221,893</u>	<u>283,435</u>
Cash Flows From Noncapital and Related Financing Activities			
Gross receipts tax revenue	115,682	-	115,682
Operating transfers in	26,313	21,117	47,430
Operating transfers out	(115,430)	(132,000)	(247,430)
Net cash provided (used) by noncapital financing activities	<u>26,565</u>	<u>(110,883)</u>	<u>(84,318)</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets	(12,313)	(21,117)	(33,430)
Principle payment on bonds	(20,000)	-	(20,000)
Interest payment on bonds	(83,531)	-	(83,531)
Principle payment on loans	-	(87,807)	(87,807)
Interest payment on loans	-	(16,394)	(16,394)
Net cash used by capital and related financing activities	<u>(115,844)</u>	<u>(125,318)</u>	<u>(241,162)</u>
Cash Flows From Investing Activities			
Interest income	37,966	19,608	57,574
Net cash provided by investing activities	<u>37,966</u>	<u>19,608</u>	<u>57,574</u>
Net increase in cash	10,229	5,300	15,529
Cash, beginning of year	961,225	497,426	1,458,651
Cash, end of year	<u>\$ 971,454</u>	<u>502,726</u>	<u>1,474,180</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2008

	Waste Water	Water	Total
Operating (loss) income	\$ (330,301)	151,861	(178,440)
Adjustments to reconcile operating income to net cash flows:			
Depreciation expense	393,628	75,900	469,528
Changes in assets and liabilities:			
Accounts receivable	1,777	(1,191)	586
Accounts payable	(19,158)	(571)	(19,729)
Accrued expenses	15,596	(3,756)	11,840
Deposits payable	-	(350)	(350)
Net cash provided by operating activities	<u>\$ 61,542</u>	<u>221,893</u>	<u>283,435</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS -
AGENCY FUNDS
June 30, 2008

ASSETS

Cash	\$ 27,583
Accounts receivable	<u>2,115</u>
Total assets	<u><u>\$ 29,698</u></u>

LIABILITIES

Due to other entities	\$ <u>29,698</u>
Total liabilities	<u><u>\$ 29,698</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Village of Bosque Farms (Village) was incorporated in 1974 under the laws of the State of New Mexico. The Village operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture and recreation, education, public improvements, and general administrative services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Village and entities for which the Village is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2008.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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*.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are recorded.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Village follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenues – property taxes are levied and collected by the Valencia County treasurer on behalf of the Village. The taxes are levied in November and payable in two installments, November 10th and May 10th. The County remits to the Village a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty, and interest 30 days after the date on which they are due.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Village reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Village reports the following major governmental funds:

General Fund. The general fund is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Streets. To account for funds used to maintain roads for which the Village is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of Village roads. Authority is NMSA 7-1-6.27.

Proprietary funds are accounted for on the flow of economic resources measurement focus (all assets and all liabilities associated with the operation of these funds are included on the balance sheet) and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. Financial Reporting Entity (Continued)

Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Village reports the following major proprietary funds:

Waste Water. To account for the provision of waste water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance billing, and collection.

Water. To account for the provisions of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund. Financing is provided through charges to customers for service.

B. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

C. Capital Assets

Capital assets, which include software, library books, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) 34 *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Village has elected not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	10 - 50 years
Buildings and structures	30 years
Machinery and equipment	5 - 50 years
Furniture and fixtures	5 - 30 years
Infrastructure	5 - 50 years

Capital Assets in proprietary funds are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and other improvements	25 - 33 years
Water and sewer system	20 - 50 years
Machinery and equipment	5 - 10 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to the General Fixed Asset Account Group and a yearly inventory of those assets must be taken.

D. Accrued Employee Benefits

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Fund equity and net assets were reported as follows:

Debt Service - Amounts legally restricted for the payment of long-term debt.

Unreserved, undesignated - Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Village.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, special revenue, capital projects and enterprise funds.

The Village follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Village Administrator submits to the Village Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Village Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Village Council and New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects fund and enterprise funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year-end.

J. 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.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

K. Implementation of New Accounting Standards

During the year ended June 30, 2008, the Village adopted Government Accounting Standards Board Statement (GASB) No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (GASB 48), GASB No. 49, *Pollution Remediation Obligations*, and GASB 50, *Pension Disclosures*. The GASBs will not have a material impact on the Village's financial statements.

NOTE 2. CASH

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2008, the Village's bank balance total of \$2,648,704 was exposed to credit risk in the amount of \$2,448,704 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	<u>\$ 1,361,344</u>
Uninsured and uncollateralized	<u>\$ 1,087,360</u>

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of \$100,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual depositors. 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.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS

Accounts receivable represents billings for water and waste water fees. It is management's policy to cut off water and waste water services for non-payment. A lien is placed on the properties which have outstanding water bills. Management has not provided an allowance for doubtful accounts because it believes that the balance of the receivables is collectable.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS

Governmental fund capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not depreciated:					
Land	\$ 303,370	-	-	(8,370)	295,000
Construction in process	174,086	847,921	-	(100,907)	921,100
Total, not depreciated	\$ 477,456	847,921	-	(109,277)	1,216,100
Capital assets, depreciated:					
Buildings and improvements	\$ 2,648,272	-	-	17,395	2,665,667
Vehicles	838,004	212,837	(127,047)	-	923,794
Machinery, equipment and furniture	773,953	131,359	-	-	905,312
Infrastructure	693,752	69,141	-	91,882	854,775
Total, depreciated	4,953,981	413,337	(127,047)	109,277	5,349,548
Accumulated depreciation for:					
Buildings and improvements	742,192	104,472	-	-	846,664
Vehicles	634,804	58,755	(113,316)	-	580,243
Machinery, equipment and furniture	620,802	51,409	-	-	672,211
Infrastructure	203,955	32,805	-	-	236,760
Total accumulated depreciation	2,201,753	247,441	(113,316)	-	2,335,878
Total capital assets, depreciated, net	\$ 2,752,228	165,896	(13,731)	109,277	3,013,670
Total capital assets, net	\$ 3,229,684	1,013,817	(13,731)	-	4,229,770

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

Governmental activities

General government	\$ 22,814
Public safety	184,492
Highways and streets	24,967
Culture and recreation	15,169
Total depreciation expense	\$ 247,442

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4. CAPITAL ASSETS (CONTINUED)

Enterprise fund capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-type Activities					
Capital assets, not depreciated:					
Land - Waste Water	\$ 1,154,573	-	-	-	1,154,573
Land - Water	14,137	-	-	-	14,137
Water rights	374,626	-	-	-	374,626
Total, not depreciated	\$ 1,543,336	-	-	-	1,543,336
Capital assets, depreciated:					
Waste Water:					
Buildings and improvements	\$ 13,540,508	-	-	-	13,540,508
Vehicles	233,380	-	-	51,679	285,059
Machinery and equipment	350,537	12,313	-	-	362,850
Water:					
Buildings and improvements	1,725,259	-	-	-	1,725,259
Vehicles	18,074	21,117	-	(1,756)	37,435
Machinery and equipment	49,923	-	-	(49,923)	-
Total, depreciated	15,917,681	33,430	-	-	15,951,111
Accumulated depreciation for:					
Waste Water	3,449,593	393,628	-	-	3,843,221
Water	510,702	75,901	-	-	586,603
Total accumulated depreciation	3,960,295	469,529	-	-	4,429,824
Total capital assets, depreciated, net	\$ 11,957,386	(436,099)	-	-	11,521,287
Total capital assets, net	\$ 13,500,722	(436,099)	-	-	13,064,623

The Village developed more accurate capital asset detail during the year ending June 30, 2008. The data has led to the reclasses above.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. LONG-TERM OBLIGATIONS – GOVERNMENTAL FUNDS

During the year ended June 30, 2008, the following changes occurred:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Capital lease payable	\$ 44,959	83,972	(33,199)	95,732	35,314
Compensated absences	<u>31,735</u>	<u>30,908</u>	<u>(26,313)</u>	<u>36,330</u>	<u>30,000</u>
Total	<u>\$ 76,694</u>	<u>114,880</u>	<u>(59,512)</u>	<u>132,062</u>	<u>65,314</u>

Capital Lease Payable. During the year ended June 30, 2006, the Village entered into a lease purchase agreement for three police vehicles. The purchase price of the vehicles was \$61,872 and they are carried in capital assets at this value. The lease is payable in four yearly installments commencing July 1, 2006.

During the year ending June 30, 2008, the Village entered into a lease purchase agreement for police vehicles. The purchase price of the vehicles was \$83,972 and they are carried in capital assets at this value. The lease is payable in four annual installments commencing in 2008.

The future requirements for the capital leases are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 35,314	4,278	39,592
2010	37,564	2,210	39,774
2011	<u>22,855</u>	<u>1,105</u>	<u>23,960</u>
	<u>\$ 95,732</u>	<u>7,593</u>	<u>103,325</u>

Accrued Compensated Absences. Employees accrue either eight or ten hours per pay period depending on if the employee has been with the village less than or more than ten years, respectively. The maximum number of annual leave hours which may be accrued is 120 hours. Compensated absence balances have been liquidated with general fund money in prior years. Village employees accrue vacation leave as follows:

Total Years of Village Service	Yearly Accumulation
0-10 (inclusive)	96 hours
11 - or more	120 hours

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 1,547	6,380	(5,532)	2,396	2,396
Loans payable	383,363	-	(87,807)	295,556	90,441
Bonds payable	1,380,000	-	(20,000)	1,360,000	20,000
Total	\$ 1,764,910	6,380	(113,339)	1,657,952	112,837

Notes Payable. The Village financed the construction of the water plat and distribution system with notes payable to the New Mexico Environmental Department. The following notes are outstanding at June 30, 2008:

Water supply construction loan for \$171,057, interest at 3%, payments of \$21,970 annually in January, maturing January 11, 2010	\$ 42,038
Rural Infrastructure loan for \$185,884, interest at 3%, payments of \$21,906 annually in December, maturing December 19, 2010	61,471
Rural Infrastructure loan for \$185,884, interest at 5%, payments of \$24,073 annually in September, maturing September 28, 2010	61,965
Rural Infrastructure loan for \$118,315, interest at 3%, payments of \$13,850 annually in April, maturing April 10, 2011	39,176
Rural Infrastructure loan for \$197,586, interest at 3%, payments of \$19,850 annually in November, maturing November 17, 2012	<u>90,906</u>
Total loans payable	<u>\$ 295,556</u>

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

The future requirements for notes payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 90,441	8,867	99,308
2010	93,154	6,154	99,308
2011	73,979	3,359	77,338
2012	18,710	1,140	19,850
2013	19,272	578	19,850
	<u>\$ 295,556</u>	<u>20,098</u>	<u>315,654</u>

Bonds Payable. Pursuant to ordinance 99-2, in April 1999 the Village issued \$1,500,000 in Sewer System Improvement Revenue Bonds, Series 1999. The bonds carry a 5% interest rate and are payable solely from pledged net revenue of the sewer system. Principal plus accrued interest is paid annually in April of each year. Annual principal payments range from \$10,000 to \$80,000. The bonds mature in April 2039. Bonds held by the United States Government are redeemable at the option of the Village at par. Bonds held by other parties are redeemable by the Village at par commencing January 1, 2006. As of June 30, 2005, all of the bonds were held by the United States Government. The bonds require a monthly reserve deposit of \$721. The reserve may be used for preventing deficiencies in the payment of principal and interest as well as for certain repairs or improvements of the sewer system upon approval of the bond holder. The Village is also required to set aside one-twelfth of the next year's principal and interest payment every month. The cash reserves are shown under the caption "Restricted Cash" in the Sewer enterprise fund.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. LONG-TERM DEBT - ENTERPRISE FUNDS (CONTINUED)

The future requirements for bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 20,000	68,000	88,000
2010	20,000	67,000	87,000
2011	20,000	66,000	86,000
2012	25,000	65,000	90,000
2013	25,000	63,750	88,750
2014 to 2018	140,000	299,250	439,250
2019 to 2023	175,000	261,000	436,000
2024 to 2028	225,000	212,250	437,250
2029 to 2033	280,000	150,750	430,750
2034 to 2038	360,000	73,250	433,250
2039	70,000	3,500	73,500
	<u>\$ 1,360,000</u>	<u>1,329,750</u>	<u>2,689,750</u>

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 consisted of the following:

Transfers to the general fund from:

Waste water	75,000
Water	125,000
General fund – Interfund transfer	20,000
	<u>\$ 228,415</u>

Transfers to the capital projects fund from:

General fund	<u>\$ 65,021</u>
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Transfers from the general fund to:

Capital projects	65,021
General fund – Interfund transfer	20,000
	<u>\$ 85,021</u>

Transfers to the waste water enterprise fund from:

Waste water – Interfund transfer	<u>\$ 26,313</u>
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VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 7. INTERFUND TRANSFERS (CONTINUED)

Transfers to the water enterprise fund from:

Waste water	14,117
Water – Interfund transfer	<u>7,000</u>
	<u>\$ 21,117</u>

Transfers from the waste water enterprise fund to:

General	75,000
Water	14,117
Waste water – Interfund transfer	<u>26,313</u>
	<u>\$ 115,430</u>

Transfers from the water enterprise fund to:

General	125,000
Water – Interfund transfer	<u>7,000</u>
	<u>\$ 132,000</u>

The primary purpose of the transfers was to fund temporary operating shortfalls.

NOTE 8. INTERFUND BALANCES

Interfund balances at June 30, 2007 consisted of the following amounts:

Due from the general fund to:

Capital projects	<u>\$ 32,511</u>
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The primary purpose of the due to/due from balances was the temporary lending of money to the capital projects fund.

NOTE 9. PERA PENSION PLAN

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, 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 9. PERA PENSION PLAN (CONTINUED)

Funding Policy. Plan members are required to contribute 7.00% (for police and fire personnel) to 9.15% (for regular members) of their gross salary and the Village is required to make a matching contribution of 9.15% for regular members, 15% for police personnel, and 18% for fire personnel. The contribution requirements of plan members and the Village are established 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 years ending June 30, 2008, 2007, and 2006 were \$118,046, \$95,327, and, \$88,273, respectively, equal to the amount of the required contributions for each year.

NOTE 10. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents, with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retirement Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the time between the employer's effective date and the date of retirement; (2) Retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10. POST-EMPLOYMENT BENEFITS (CONTINUED)

Fund Contributions: Each participating employer makes contributions to the fund in the amount of 7.675% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 9.4% of the employee's annual salary. Employer and employee contributions will increase annually through the year 2011. Each participating retiree pays a monthly premium of \$94.08 for the basic single plan and an additional \$5.00 if eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that included post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also included the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd N.E., Suite 104, Albuquerque, New Mexico 87109.

For the fiscal years ended June 30, 2008, 2007 and 2006, the Village remitted \$11,185, \$9,913, and \$9,148, respectively, in employer contributions to the Retiree Health Care Authority.

NOTE 11. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Village participates in the State of New Mexico Self-Insurers Fund for workers' compensation claims and employers' liability insurance including general, auto, uninsured motorist, law enforcement, and public official's errors and omissions liabilities. The policy limits for workers' compensation is unlimited and \$1,050,000 per occurrence for employer's liability. There is no deductible. Liability policy limits range from \$100,000 to \$750,000 per occurrence, with a \$4,000,000 annual aggregate per policy. Deductibles range from \$500 to \$5,000.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 11. RISK MANAGEMENT (CONTINUED)

In addition, the Village has obtained insurance through a commercial carrier operating as a common risk management and insurance program for buildings, personal property, employee dishonesty, theft, burglar, fraud, terrorism, fine arts, and equipment breakdown. Limits range from \$10,000 to \$948,491, and deductibles range from \$500 to \$1,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the General Long-Term Debt Account Group because it is not expected to be liquidated with expendable available financial resources.

NOTE 12. SPECIAL APPROPRIATIONS

The Authority has received the following special appropriations:

	Original Appropriation	Expended	Appropriation Period
06-1269-GF Water storage tank improvements	100,000	67,776	2006 - 2010
07-4606-GF Water storage tank improvements	100,000	100,000	2007 - 2011
07-4607-GF Water storage tank improvements	200,000	10,186	2007 - 2011
08-3944-GF Waste water treatment plant	<u>15,000</u>	<u>-</u>	2008 - 2012
Total	<u>\$ 415,000</u>	<u>177,962</u>	

All of the unspent special appropriations have been committed to the projects for which they are intended and are encumbered at year-end.

NOTE 13. BUDGET OVERAGES

The Village incurred expenses greater than revenues in the traffic safety fund in the amount of \$83,499. The overage was caused by the purchase of police vehicles financed with capital leases. The expenditures of the lease money was not budgeted.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
NONMAJOR FUNDS
June 30, 2008

SPECIAL REVENUE FUNDS

Corrections. To establish an additional sources of funds for municipalities to offset the costs of corrections. The source of funds is a five-dollar fee which must be paid by all persons violating laws relating the operations of a motor vehicle. Authority is NMSA 33-9-3.

Environmental Gross Receipts Tax. To account for the revenue received from the State through gross receipts and subsequently given to the Otero/Lincoln County Regional Landfill in accordance with a joint powers agreement. Authority is by Joint Powers Agreement.

Emergency Medical Services. To account for funds available for emergency medical equipment and supplies attributable to such services. Financing is provided by the State of New Mexico. Authority is the Emergency Medical Services Fund Act, NMSA 24-10A.

Fire Protection. To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Authority is NMSA 59-A-53-1.

Law Enforcement Protection. To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Authority is NMSA 29-13-4.

Recreation. To account for revenues and expenditures relating to village recreational facilities and programs. Financing is provided by the State. Such revenue provides for payment of all current operating costs and may be used for that purpose only. Authority is NMSA 7-12-15.

Traffic Safety. To account for revenues and expenditures of funds collected for the purchase and maintenance of traffic safety equipment. Authority is Village Ordinance No. 97-10 and No. 2000-02.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS - SPECIAL REVENUE
 June 30, 2008**

	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
ASSETS			
Cash and cash equivalents	\$ 95,513	70,679	4,531
Receivables			
Taxes			
Gross receipts	-	4,229	-
Cigarette	-	-	-
Fees	3,548	-	-
Grants	-	-	-
Total assets	<u>\$ 99,061</u>	<u>74,908</u>	<u>4,531</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	99,061	74,908	4,531
Total liabilities and fund balances	<u>\$ 99,061</u>	<u>74,908</u>	<u>4,531</u>

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
 COMBINING BALANCE SHEET
 NONMAJOR FUNDS - SPECIAL REVENUE
 June 30, 2008**

	Fire Protection	Law Enforcement Protection	Recreation
ASSETS			
Cash and cash equivalents	\$ 26,314	169	9,926
Receivables			
Taxes			
Gross receipts	-	-	-
Cigarette	-	-	109
Fees	-	-	-
Grants	-	-	-
Total assets	<u>\$ 26,314</u>	<u>169</u>	<u>10,035</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Unreserved, undesignated, special revenues			
Special revenue funds	<u>26,314</u>	<u>169</u>	<u>10,035</u>
Total liabilities and fund balances	<u>\$ 26,314</u>	<u>169</u>	<u>10,035</u>

VILLAGE OF BOSQUE FARMS, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR FUNDS - SPECIAL REVENUE
June 30, 2008

	Traffic Safety	Total Nonmajor
ASSETS		
Cash and cash equivalents	\$ 22,857	229,989
Receivables		
Taxes		
Gross receipts	-	4,229
Cigarette	-	109
Fees	-	3,548
Grants	3,461	3,461
Total assets	<u>\$ 26,318</u>	<u>241,336</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 6,611	6,611
Total liabilities	<u>6,611</u>	<u>6,611</u>

FUND BALANCES

Unreserved, undesignated, special revenues		
Special revenue funds	19,707	234,725
Total liabilities and fund balances	<u>\$ 26,318</u>	<u>241,336</u>

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2008**

	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services
Revenues			
Taxes	\$ -	22,855	-
Licenses, permits, fees and fines	50,160	-	-
Grants	-	-	381
Interest	2,719	1,690	-
Other	-	-	-
Total revenues	<u>52,879</u>	<u>24,545</u>	<u>381</u>
Expenditures			
Current			
General government	-	697	-
Public safety	39,520	-	10,796
Culture and recreation	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>39,520</u>	<u>697</u>	<u>10,796</u>
Excess of revenues over expenditures before other financing sources	<u>13,359</u>	<u>23,848</u>	<u>(10,415)</u>
Other financing sources			
Proceeds from the issuance of capital leases	-	-	-
Net change in fund balances	13,359	23,848	(10,415)
Fund balance, beginning of year	<u>85,702</u>	<u>51,060</u>	<u>14,946</u>
Fund balance, end of year	<u>\$ 99,061</u>	<u>74,908</u>	<u>4,531</u>

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2008**

	Fire Protection	Law Enforcement Protection	Recreation
Revenues			
Taxes	\$ -	-	615
Licenses, permits, fees and fines	-	-	-
Grants	65,438	26,600	-
Interest	1,522	139	234
Other	1,500	-	-
Total revenues	68,460	26,739	849
Expenditures			
Current			
General government	-	-	-
Public safety	51,409	10,242	-
Culture and recreation	-	-	1,330
Debt service - principal	-	16,913	-
Debt service - interest	-	189	-
Capital outlay	1,454	-	-
Total expenditures	52,863	27,344	1,330
Excess of revenues over expenditures before other financing sources	15,597	(605)	(481)
Other financing sources			
Proceeds from the issuance of capital leases	-	-	-
Net change in fund balances	15,597	(605)	(481)
Fund balance, beginning of year	10,717	774	10,516
Fund balance, end of year	\$ 26,314	169	10,035

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND
 BALANCES - NONMAJOR FUNDS
 Year Ended June 30, 2008**

	Traffic Safety	Total Non-major
Revenues		
Taxes	\$ -	23,470
Licenses, permits, fees and fines	59,625	109,785
Grants	-	92,419
Interest	933	7,237
Other	-	1,500
	<hr/>	<hr/>
Total revenues	60,558	234,411
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	697
Public safety	45,275	157,242
Culture and recreation	-	1,330
Debt service - principal	-	16,913
Debt service - interest	-	189
Capital outlay	112,771	114,225
	<hr/>	<hr/>
Total expenditures	158,046	290,596
	<hr/>	<hr/>
Excess of revenues over expenditures before other financing sources	<hr/> (97,488)	<hr/> (56,185)
Other financing sources		
Proceeds from the issuance of capital leases	83,972	83,972
	<hr/>	<hr/>
Net change in fund balances	(13,516)	27,787
Fund balance, beginning of year	<hr/> 33,223	<hr/> 206,938
Fund balance, end of year	<hr/> \$ 19,707	<hr/> 234,725

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CORRECTIONS
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 49,800	49,800	46,612	(3,188)
Interest	2,400	2,400	2,719	319
Total revenues	52,200	52,200	49,331	(2,869)
Expenditures				
Public safety	33,000	41,111	41,110	1
Total expenditures	33,000	41,111	41,110	1
Net change in fund balance	19,200	11,089	8,221	(2,868)
Fund balance, beginning of year	85,702	85,702	85,702	-
Fund balance, end of year	\$ 104,902	96,791	93,923	(2,868)
Non-GAAP change in fund balance			8,221	
Change in:				
Accounts receivable			3,548	
Accounts payable			1,590	
GAAP change in fund balance			<u>\$ 13,359</u>	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
ENVIRONMENTAL GROSS RECEIPTS TAX
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Municipal taxes	\$ 25,200	25,200	23,228	(1,972)
Interest	1,100	1,100	1,690	590
Total revenues	<u>26,300</u>	<u>26,300</u>	<u>24,918</u>	<u>(1,382)</u>
Expenditures				
General government	1,575	1,575	697	878
Total expenditures	<u>1,575</u>	<u>1,575</u>	<u>697</u>	<u>878</u>
Excess of revenues over expenditures	<u>24,725</u>	<u>24,725</u>	<u>24,221</u>	<u>(504)</u>
Other financing uses				
Operating transfers out	(20,000)	(20,000)	-	20,000
Total other financing uses	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Net change in fund balance	4,725	4,725	24,221	19,496
Fund balance, beginning of year	51,060	51,060	51,060	-
Fund balance, end of year	<u>\$ 55,785</u>	<u>55,785</u>	<u>75,281</u>	<u>19,496</u>
Non-GAAP change in fund balance			24,221	
Change in:				
Accounts receivable			(373)	
GAAP change in fund balance			<u>\$ 23,848</u>	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
EMERGENCY MEDICAL SERVICES
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues				
Grants	-	-	381	381
Interest	450	450	-	(450)
Total revenues	<u>450</u>	<u>450</u>	<u>381</u>	<u>(69)</u>
Expenditures				
Public safety	10,000	13,064	10,796	2,268
Total expenditures	<u>10,000</u>	<u>13,064</u>	<u>10,796</u>	<u>2,268</u>
Net change in fund balance	(9,550)	(12,614)	(10,415)	2,199
Fund balance, beginning of year	14,946	14,946	14,946	-
Fund balance, end of year	<u>\$ 5,396</u>	<u>2,332</u>	<u>4,531</u>	<u>2,199</u>

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
FIRE PROTECTION
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 67,250	67,250	65,438	(1,812)
Interest	875	875	1,522	647
Other	-	-	1,500	1,500
Total revenues	68,125	68,125	68,460	335
Expenditures				
Public safety	59,445	59,445	51,622	7,823
Capital outlay	7,805	7,805	1,454	6,351
Total expenditures	67,250	67,250	53,076	14,174
Net change in fund balance	875	875	15,384	14,509
Fund balance, beginning of year	10,717	10,717	10,717	-
Fund balance, end of year	\$ 11,592	11,592	26,101	14,509
Non-GAAP change in fund balance			\$ 15,384	
Change in:				
Accounts payable			<u>213</u>	
GAAP change in fund balance			<u>\$ 15,597</u>	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
LAW ENFORCEMENT PROTECTION
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 26,600	26,600	26,600	-
Interest	100	100	139	39
Total revenues	26,700	26,700	26,739	39
Expenditures				
Public safety	10,371	10,371	10,242	129
Debt service - principal	16,913	16,913	16,913	-
Debt service - interest	190	190	189	1
Total expenditures	27,474	27,474	27,344	130
Net change in fund balance	(774)	(774)	(605)	169
Fund balance, beginning of year	774	774	774	-
Fund balance, end of year	\$ -	-	169	169

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
RECREATION
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,600	1,600	3,318	1,718
Interest	180	180	234	54
Total revenues	1,780	1,780	3,552	1,772
Expenditures				
Culture and recreation	1,600	1,600	1,330	270
Total expenditures	1,600	1,600	1,330	270
Net change in fund balance	180	180	2,222	2,042
Fund balance, beginning of year	10,516	10,516	10,516	-
Fund balance, end of year	\$ 10,696	10,696	12,738	2,042
Non-GAAP change in fund balance			2,222	
Change in:				
Accounts receivable			(2,703)	
GAAP change in fund balance			\$ (481)	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
TRAFFIC SAFETY
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Fines and forfeitures	\$ 62,000	62,000	56,164	(5,836)
Interest	900	900	933	33
Total revenues	<u>62,900</u>	<u>62,900</u>	<u>57,097</u>	<u>(5,803)</u>
Expenditures				
Public safety	33,200	41,903	41,431	472
Capital outlay	28,547	28,800	112,771	(83,971)
Total expenditures	<u>61,747</u>	<u>70,703</u>	<u>154,202</u>	<u>(83,499)</u>
Excess of revenues over expenditures	<u>1,153</u>	<u>(7,803)</u>	<u>(97,105)</u>	<u>(89,302)</u>
Other financing sources (uses)				
Proceeds from the issuance of capital leases	-	-	83,972	83,972
Operating transfers out	(10,000)	(10,000)	-	10,000
Total other financing uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>83,972</u>	<u>93,972</u>
Net change in fund balance	(8,847)	(17,803)	(13,133)	4,670
Fund balance, beginning of year	33,223	33,223	33,223	-
Fund balance, end of year	<u>\$ 24,376</u>	<u>15,420</u>	<u>20,090</u>	<u>4,670</u>
Non-GAAP change in fund balance			\$ (13,133)	
Change in:				
Accounts receivable			3,461	
Accounts payable			<u>(3,844)</u>	
GAAP change in fund balance			<u>\$ (13,516)</u>	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Grants	\$ 894,588	894,588	601,983	(292,605)
Expenditures				
Capital outlay	927,077	927,077	639,935	287,142
Excess of revenues over expenditures	(32,489)	(32,489)	(37,952)	(5,463)
Other financing sources				
Operating transfers in	-	-	65,021	65,021
Net change in fund balance	(32,489)	(32,489)	27,069	59,558
Fund balance, beginning of year	22,388	22,388	22,388	-
Fund balance, end of year	(10,101)	(10,101)	49,457	59,558
Prior year cash appropriated	10,101	10,101		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ 27,069	
Change in:				
Receivables			28,703	
Accounts payable			32,488	
Deferred revenue			(32,488)	
GAAP change in fund balance			<u>\$ 55,772</u>	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WASTE WATER ENTERPRISE FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Charges for services	\$ 419,578	419,578	435,527	15,949
Gross receipts tax	-	-	115,682	115,682
Interest	33,392	33,392	37,966	4,574
Total revenues	452,970	452,970	589,175	136,205
Expenses				
Operating	256,883	260,620	373,985	(113,365)
Capital outlay	208,317	186,350	12,313	174,037
Debt service	89,000	89,000	103,531	(14,531)
Total expenditures	554,200	535,970	489,829	46,141
Excess of revenues over expenditures	(101,230)	(83,000)	99,346	182,346
Other financing sources (uses)				
Operating transfers in	89,000	89,000	26,313	(62,687)
Operating transfers out	(186,000)	(186,000)	(115,430)	70,570
Total other financing sources (uses)	(97,000)	(97,000)	(89,117)	7,883
Net change in net assets	(198,230)	(180,000)	10,229	190,229
Net assets, beginning of year	11,512,837	11,512,837	11,512,837	-
Net assets, end of year	\$ 11,314,607	11,332,837	11,523,066	190,229
Non-GAAP change in fund balance			\$ 10,229	
Change in:				
Receivables			(1,777)	
Accounts payable			1,349	
Other accrued expenses			2,213	
Non-budgeted items				
Capitalized purchases			12,313	
Debt service - principal			20,000	
Depreciation			(393,628)	
GAAP change in net assets			\$ (349,301)	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
WATER ENTERPRISE FUND
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Charges for services	\$ 456,527	456,527	465,670	9,143
Municipal taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	27,150	27,150	19,608	(7,542)
Miscellaneous	-	-	-	-
Total revenues	483,677	483,677	485,278	1,601
Expenses				
Operating	260,407	260,659	226,456	34,203
Capital outlay	42,517	43,464	21,117	22,347
Debt service	99,308	99,308	104,201	(4,893)
Total expenditures	402,232	403,431	351,774	51,657
Excess of revenues over expenditures	81,445	80,246	133,504	53,258
Other financing sources (uses)				
Operating transfers in	113,308	113,308	21,117	(92,191)
Operating transfers out	(231,308)	(231,308)	(132,000)	99,308
Total other financing sources (uses)	(118,000)	(118,000)	(110,883)	99,308
Net change in net assets	(36,555)	(37,754)	22,621	152,566
Net assets, beginning of year	1,709,559	1,709,559	1,709,559	-
Net assets, end of year	\$ 1,673,004	1,671,805	1,732,180	152,566
Non-GAAP change in fund balance			\$ 22,621	
Change in:				
Receivables			1,191	
Accounts payable			572	
Other accrued expenses			(13,216)	
Non-budgeted items				
Capitalized purchases			21,117	
Debt service - principal			87,807	
Depreciation			(75,900)	
GAAP change in net assets			\$ 44,192	

VILLAGE OF BOSQUE FARMS, NEW MEXICO
AGENCY FUNDS
June 30, 2008

Municipal Judge's Fund. To account for the receipt and disbursement of money collected through the Municipal Judicial System and held for payment to various other state and local governmental agencies.

Municipal Judge's Bond Fund. To account for the receipt and disbursement of bond funds collected through the Municipal Judicial System and held for refund or conversion to pay fines and fees.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
MUNICIPAL JUDGE'S FUND				
ASSETS				
Cash	\$ 21,166	21,886	24,143	18,909
Due to other funds	1,690	425	-	2,115
Total assets	\$ 22,856	22,311	24,143	21,024

LIABILITIES				
Due to other entities	\$ 22,856	22,311	24,143	21,024
Total liabilities	\$ 22,856	22,311	24,143	21,024

MUNICIPAL JUDGE'S BOND FUND

ASSETS				
Cash	\$ 10,397	8,159	9,882	8,674
Total assets	\$ 10,397	8,159	9,882	8,674

LIABILITIES				
Due to other entities	\$ 10,397	8,159	9,882	8,674
Total liabilities	\$ 10,397	8,159	9,882	8,674

**TOTAL
ASSETS**

Cash	\$ 31,563	30,045	34,025	27,583
Due from other funds	1,690	425	-	2,115
Total assets	\$ 33,253	30,470	34,025	29,698

LIABILITIES

Due to other entities	\$ 33,253	30,470	34,025	29,698
Total liabilities	\$ 33,253	30,470	34,025	29,698

VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2008

Depository	Account Name	Type	Depository Balance	Reconciled Balance
First Community Bank	General Pooled Cash	Checking	\$ 175,766	167,824
First Community Bank	Special Revenue Pooled Cash	Checking	82,155	32,216
First Community Bank	Utility Enterprise Account	Checking	168,809	153,384
First Community Bank	Payroll Account	Checking	54,391	-
First Community Bank	Capital Project Account	Checking	42,690	41,859
First Community Bank	Money Market - High Wealth	Money Mkt	536,969	536,969
First Community Bank	Money Market - High Wealth	Money Mkt	244,128	244,128
First Community Bank	Money Market - High Wealth	Money Mkt	320,646	320,646
First Community Bank	Utility Enterprise - CD	CD	1,000,000	1,000,000
Cash and cash equivalents			2,625,554	2,497,026
Petty cash	Village Clerk's petty cash - General		-	200
Petty cash	Water Department's petty cash		-	150
Total cash and cash equivalents - non-agency funds			\$ 2,625,554	2,497,376
 Agency funds cash accounts				
First Community Bank	Municipal Court Pooled Cash		\$ 23,150	27,583

VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2008

	First Community Bank
Deposits at June 30, 2008	\$ 2,648,704
Less: FDIC coverage	200,000
Uninsured public funds	<u>2,448,704</u>
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	1,361,344
Uninsured and uncollateralized	<u>\$ 1,087,360</u>
50% pledged collateral requirement per statute	\$ 1,079,288
Total pledged collateral	<u>1,361,344</u>
Pledged collateral under the requirement	<u>\$ (282,056)</u>

Pledged collateral at June 30, 2008 consists of the following:

Security	CUSIP	Maturity	Market Value
FHLB Bond	31339YVV1	7/21/2008	10,005
FHLB Agency Note	3133X0LJ6	8/15/2008	90,130
FHLB Agency Note	3133X4ZC8	4/15/2009	1,051,516
FHLB Agency Note	3133X4ZC8	4/15/2009	175,253
FHR 2857 Agency Note	31395FS70	12/15/2023	34,440
			<u>\$ 1,361,344</u>

The custodian of the pledged securities for First Community Bank is the Federal Home Loan Bank in Dallas, Texas.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2008

Joint Power Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Village	Amount contributed by Village during fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
Prisoner Housing	Valencia County Village of Bosque Farms	Valencia County	To provide housing of municipal prisoners arrested by the Village and confined in the Valencia County Detention Center	12/04 to 12/09	\$61.17 per inmate	\$ 33,827	Valencia County	Valencia County
Animal Control	Valencia County Animal Control Center Village of Bosque Farms	Valencia County Animal Control Center	Collect and keep custody of animals	07/02 to indefinite	\$18 per hour with a two hour minimum. \$202 per month for custody of dogs and cats.	\$ 1,818	Valencia County	Valencia County
Wildfire Protection Activities	State of New Mexico Energy, Minerals and Natural Resources Department Village of Bosque Farms	State of New Mexico Energy, Minerals and Natural Resources Department	To provide a cooperative fire protection system covering any or all private, County, non-municipal, and State lands within or adjacent to the Village	Indefinite	Payments are on a reimbursement basis	\$ -	State of New Mexico Energy, Minerals and Natural Resources Department	State of New Mexico Energy, Minerals and Natural Resources Department
Local Building Permit Review and Inspection Services	City of Belen Village of Los Lunas County of Valencia Village of Bosque Farms	Joint	Provision of local building permit review and inspection services	Indefinite	The Village pays its own inspectors	\$ -	Joint	Joint
Emergency 911 Regional Emergency Communications Center	City of Belen Village of Los Lunas Village of Bosque Farms	Village of Los Lunas	Provision of enhanced emergency 911 services; establishment of the Valencia Regional Emergency Communications Center	Indefinite	\$32,500 per year	\$ 32,500	Village of Los Lunas	Village of Los Lunas

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
3915 CARLISLE BLVD NE
ALBUQUERQUE, NM 87107

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards*

Mr. Hector H. Balderas, State Auditor and
Mr. Wayne Ake, Mayor and
The Village Council
Village of Bosque Farms, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general and streets funds, of the Village of Bosque Farms (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2008. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules, and budgetary comparisons, as of and for the year ended June 30, 2008, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Mr. Hector H. Balderas, State Auditor and
Mr. Wayne Ake, Mayor and
The Village Council
Village of Bosque Farms, New Mexico

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings, recommendations and responses to be significant deficiencies in internal control over financial reporting: 07-1 and 08-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described in the accompanying schedule of findings and recommendations as item 08-2.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Mr. Hector H. Balderas, State Auditor and
Mr. Wayne Ake, Mayor and
The Village Council
Village of Bosque Farms, New Mexico

This report is intended solely for the information and use of the Village of Bosque Farms' management, Village Councilors, the Department of Finance and Administration, the New Mexico State Legislature, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Porch & Associates LLC

Albuquerque, New Mexico
November 20, 2008

VILLAGE OF BOSQUE FARMS, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

06-1	Disaster Recovery Plan	Resolved
07-1	Preparation of Financial Statements (Significant Deficiency)	Modified and repeated
07-2	Pledging of Collateral for Public Money	Resolved

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT

07-1 Preparation of Financial Statements (Significant Deficiency)

CONDITION

The Auditing Standards Board has issued *Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit* (SAS 112). The new standard provides guidance to auditors on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. The standard requires the auditor to evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses.

SAS 112 provides examples of circumstances that may be control deficiencies, significant deficiencies or material weaknesses (these terms are defined in the report on internal control above). One of the examples provided by SAS 112 is:

Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

The auditor prepares the financial statements for the Village because Village staff does not have the training or experience to prepare financial statements.

CRITERIA

The Village's accounting staff should have the training and experience necessary to prepare the Village's financial statements. SAS 112 indicates that a lack of qualifications to prepare the financial statements is a control deficiency.

CAUSE

The Village's accounting staff has not been trained on Governmental Accounting Standards and the related procedures to prepare financial statements.

EFFECT

The Village's management and accounting staff may not be able to detect errors in reporting or financial presentation if they exist. Management may not be qualified to review the financial statements prepared by the auditor.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

07-1 Preparation of Financial Statements (Significant Deficiency) (Continued)

RECOMMENDATION

We recommend that Village employees who participate in the accounting function obtain training in governmental accounting and the preparation of financial statements.

MANAGEMENT RESPONSE

The required book has been ordered, but the Clerk & Treasurer have not had time to complete the course and required testing. We hope to get that done in the next few months.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

08-1 Capital Assets

CONDITION

As part of our audit we tested capital assets. We noted the following:

- The Village is not performing an annual inventory of capital assets.
- We tested two vehicles that were impaired as a result of accidents. Both of the vehicles were deemed to be totaled by the insurance company. Neither of these vehicles was deleted from the capital asset listing or adjusted for impairment.
- The Village is not reconciling the capital asset listing to the general ledger accounts for proprietary funds. We tested two capital asset additions in proprietary funds that were recorded in expense accounts instead of the capital asset balances.

CRITERIA

Governmental Accounting Standards No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, details the requirements to track and report capital assets. The Village should be tracking capital assets.

Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency’s auditors.

CAUSE

The Village does not have a mechanism to track capital asset additions and deletions. Also the Village is not taking a physical inventory of all capital assets at year end. The Village is not evaluating insurance coverage to determine if capital assets are properly insured.

EFFECT

The Village’s capital asset listing and depreciation expenses were misstated before adjustment.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2008**

FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

08-1 Capital Assets (Continued)

RECOMMENDATION

The Village should develop a policy which requires the tracking of additions and deletions to capital assets. The Village may consider using the services of a CPA to assist in the tracking and recording of capital assets. The Village could also consider reconciling capital assets on a monthly basis from the general ledger accounts to the capital asset listing. This will ensure that the Village is able to produce a capital asset listing in future years if the capital asset threshold for the Village changes. This will also help the Village to track work in progress that is under the capital asset threshold in beginning years, but that will become a capital asset when the project is complete.

MANAGEMENT RESPONSE

The Village is trying to perform an annual inventory of capital assets; however, not all departments are participating at this time. We are working on correcting this problem.

The two vehicles that were impaired were overlooked and not removed. They have now been removed from the fixed assets list.

The Village is not reconciling the capital asset listing to the general ledger accounts. We will get this corrected by reconciling this on a monthly basis.

**VILLAGE OF BOSQUE FARMS, NEW MEXICO
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2008**

FINDINGS – FINANCIAL STATEMENTS AUDIT (CONTINUED)

08-2 Excess of Expenditures Over Authorized Budget

CONDITION

The Village's expenditures exceeded the authorized budget in the traffic safety fund by \$83,499.

CRITERIA

Section 6-6-6, NMSA 1978, requires the Village to keep expenditures within budgeted amounts.

CAUSE

The overage was caused by the purchase of police vehicles financed with capital leases. The expenditures of the lease money was not budgeted.

EFFECT

The Village may not have precise information for planning the activities and cash flows in the funds that are over budget.

RECOMMENDATION

The Village should develop a process to budget money sent to vendors directly from grantors and financial institutions.

MANAGEMENT RESPONSE

The Village of Bosque Farms does not agree with this finding. The amount of the overage in the Traffic Safety Fund is due to the lease purchase of vehicles. The vehicle vendor was paid directly by the financing agency with no cash going through the Village accounts. Because the Village's budget and DFA reporting are on a cash basis, there is no way to accurately reflect this transaction. We cannot show it as revenue and we cannot show anything but the payment to the financing agency as an expenditure. Unfortunately, this will be a reoccurring finding every time the Village buys vehicles on a lease-purchase program with no resolution.

VILLAGE OF BOSQUE FARMS, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2008

An exit conference was held on November 21, 2008, and attended by the following:

Village of Bosque Farms, New Mexico

Wayne Ake, Mayor
Robert G. Knowlton, Mayor Pro-Tem
Gayle Jones, Village Administrator
Debbie Kelly, Treasurer

Porch & Associates LLC

Thad Porch, Partner

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The financial statements were prepared by Porch & Associates LLC from the books and records of the Village of Bosque Farms. However, the contents of these financial statements remain the responsibility of the Village's management.