

**STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS**

Annual Financial Report
For the Year Ended June 30, 2017

INTRODUCTORY SECTION

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VILLAGE OF BOSQUE FARMS
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VILLAGE OF BOSQUE FARMS
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STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
List of Principal Officials
June 30, 2017

Name

Title

Elected Officials

Wayne Ake
Russell W. Walkup
William Kennedy
Chad Wood
Jason Hatch

Mayor
Mayor Pro-Tem
Councilor
Councilor
Councilor

Administrative Officials

Gayle Jones
Michelle Fryhover

Clerk/Administrator
Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mayor and Village Council
Village of Bosque Farms
Bosque Farms, New Mexico
and
Wayne A. Johnson
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Village of Bosque Farms, New Mexico (Village), as of and for the year-ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and budgetary comparisons for the general fund of the Village, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Contributions, and the Notes to the Required Supplementary Information, on pages 45-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual non-major fund financial statements, the budgetary comparisons, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.


The combining and individual non-major fund financial statements, and the schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and the other schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplemental information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.


Burt & Company CPAs, LLC

December 14, 2017

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,917,759	1,361,467	3,279,226
Receivables:			
Taxes:			
Gross receipts	244,183	-	244,183
Gasoline	4,232	-	4,232
Motor vehicle	2,354	-	2,354
Property	4,590	-	4,590
Franchise	24,134	-	24,134
Other	9,941	-	9,941
Grants	13,375	-	13,375
Accounts receivable, net of allowance	-	119,666	119,666
Restricted cash	-	172,218	172,218
Capital assets, not depreciated	527,070	1,543,336	2,070,406
Capital assets, net of accumulated depreciation	3,816,732	9,726,523	13,543,255
Total assets	6,564,370	12,923,210	19,487,580
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	1,037,931	123,871	1,161,802
LIABILITIES			
Accounts payable	44,715	25,905	70,620
Accrued compensation and benefits	54,860	9,303	64,163
Interest payable	-	3,999	3,999
Deposits payable	-	47,125	47,125
Compensated absences, due in one year	40,769	4,122	44,891
Compensated absences, due in more than one year	15,549	1,735	17,284
Long-term liabilities, due in one year	-	55,668	55,668
Long-term liabilities, due in more than one year	-	1,431,967	1,431,967
Net pension liability	2,841,700	339,142	3,180,842
Total liabilities	2,997,593	1,918,966	4,916,559
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to grants	29,457	-	29,457
Deferred inflows of resources related to pensions	66,773	7,969	74,742
Total deferred inflows	96,230	7,969	104,199
NET POSITION			
Net investment in capital assets	4,343,802	9,782,224	14,126,026
Restricted for debt service	-	82,463	82,463
Unrestricted	164,676	1,255,459	1,420,135
Total net position	\$ 4,508,478	11,120,146	15,628,624

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue & Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Government Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 875,644	85,086	186,065	177,449	(427,044)	-	(427,044)
Public safety	1,826,397	17,095	240,747	-	(1,568,555)	-	(1,568,555)
Highways and streets	357,430	-	-	-	(357,430)	-	(357,430)
Culture and recreation	261,540	-	7,733	-	(253,807)	-	(253,807)
Total government activities	<u>3,321,011</u>	<u>102,181</u>	<u>434,545</u>	<u>177,449</u>	<u>(2,606,836)</u>	<u>-</u>	<u>(2,606,836)</u>
Business-type activities							
Waste water	890,174	662,858	-	-	-	(227,316)	(227,316)
Water	577,948	601,506	-	-	-	23,558	23,558
Interest on long-term debt	37,003	-	-	-	-	(37,003)	(37,003)
Total business-type activities	<u>1,505,125</u>	<u>1,264,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,761)</u>	<u>(240,761)</u>
Total primary government	\$ <u>4,826,136</u>	<u>1,366,545</u>	<u>434,545</u>	<u>177,449</u>	<u>(2,606,836)</u>	<u>(240,761)</u>	<u>(2,847,597)</u>
General revenues:							
Taxes:							
Franchise taxes				\$ 110,306	-		110,306
Gasoline taxes				47,502	-		47,502
Gross receipts taxes				1,289,962	-		1,289,962
Property taxes				172,457	-		172,457
Motor vehicle registration				24,540	-		24,540
EMS taxes				44,754	-		44,754
Other				92,265	17,254		109,519
Interest				1,369	885		2,254
Joint power agreement payments				230,000	-		230,000
Severance tax appropriations				51,956	-		51,956
Transfers				(5,211)	5,211		-
Total general revenues and transfers				<u>2,059,900</u>	<u>23,350</u>		<u>2,083,250</u>
Gain (loss) on asset disposal				4,625		1,375	6,000
Changes in net position				(542,311)		(216,036)	(758,347)
Net position - beginning as previously stated				5,090,175	11,336,182		16,426,357
Prior period adjustments				(39,386)	-		(39,386)
Net position - beginning as restated				<u>5,050,789</u>	<u>11,336,182</u>		<u>16,386,971</u>
Net position - ending				\$ <u>4,508,478</u>	<u>11,120,146</u>		<u>15,628,624</u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Balance Sheet – Governmental Funds
June 30, 2017

	General	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,321,392	596,367	1,917,759
Receivables:			
Taxes:			
Gross receipts	231,445	12,738	244,183
Gasoline	-	4,232	4,232
Motor vehicle	2,354	-	2,354
Property	4,590	-	4,590
Franchise	24,134	-	24,134
Other	9,941	-	9,941
Grants	3,301	10,074	13,375
Total assets	\$ <u>1,597,157</u>	<u>623,411</u>	<u>2,220,568</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 28,495	16,221	44,716
Accrued compensation and benefits	54,225	635	54,860
Unearned revenue	-	29,457	29,457
Total liabilities	82,720	46,313	129,033
FUND BALANCES			
Restricted for:			
Special revenue funds	-	327,951	327,951
Capital projects funds	-	-	-
Committed reported in:			
General fund	-	-	-
Subsequent years expenditures	234,772	-	234,772
Assigned to:			
Special revenue funds	-	249,147	249,147
Unassigned:			
General fund	1,279,665	-	1,279,665
Total fund balances	<u>1,514,437</u>	<u>577,098</u>	<u>2,091,535</u>
Total liabilities and fund balances	\$ <u>1,597,157</u>	<u>623,411</u>	<u>2,220,568</u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statements of net position are different because:

Total fund balance - Governmental funds	\$ 2,091,535
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,343,802
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	-
Accrued compensated absences not payable from current revenues.	(56,318)
Deferred revenue is recorded as income under the accrual method, and not the modified accrual method.	-
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported in the governmental fund.	(2,841,700)
Deferred outflows of resources related to pension are not due and payable in the current period and, therefore, are not reported in the governmental funds.	1,037,931
Deferred inflows of resources related to pensions are received in the current period and, therefore, are not reported in the governmental funds.	(66,773)
Rounding	<u>1</u>
Net position of governmental activities	\$ <u>4,508,478</u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Nonmajor Governmental Funds	Total
	<u>General</u>	<u>Funds</u>	<u>Total</u>
Revenues:			
Taxes	\$ 1,588,634	114,404	1,703,038
Licenses, permits, fees, and fines	85,086	17,095	102,181
From federal sources:			
Grants	10,823	-	10,823
From non-federal sources:			
Grants	29,593	446,085	475,678
Intergovernmental	407,449	-	407,449
Interest	956	413	1,369
Other	96,491	399	96,890
Total revenues	<u>2,219,032</u>	<u>578,396</u>	<u>2,797,428</u>
Expenditures:			
Current:			
General government	567,549	750	568,299
Public safety	1,488,717	142,195	1,630,912
Highways and streets	192,989	1,016	194,005
Culture and recreation	200,960	29,295	230,255
Capital outlay	92,988	198,582	291,570
Total expenditures	<u>2,543,203</u>	<u>371,838</u>	<u>2,915,041</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>(324,171)</u>	<u>206,558</u>	<u>(117,613)</u>
Other financing sources (uses)			
Severance tax appropriation	-	-	-
Transfers in	121,888	600	122,488
Transfers out	<u>(47,356)</u>	<u>(76,956)</u>	<u>(124,312)</u>
Total other financing sources (uses)	<u>74,532</u>	<u>(76,356)</u>	<u>(1,824)</u>
Net change in fund balance	(249,639)	130,202	(119,437)
Fund balance beg of year - previously stated	1,706,576	419,782	2,126,358
Prior period adjustment	<u>57,500</u>	<u>27,114</u>	<u>84,614</u>
Fund balance beg of year - restated	<u>1,764,076</u>	<u>446,896</u>	<u>2,210,972</u>
Ending fund balance	<u>\$ 1,514,437</u>	<u>577,098</u>	<u>2,091,535</u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net changes in fund balances - governmental funds \$ (119,437)

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

Depreciation expense	\$	(420,124)	
Capital outlay		<u>228,893</u>	
Excess of depreciation over capital outlay			(191,231)

Deferred revenue is recorded as income under the accrual method, and not the modified accrual method. (13,517)

Change in accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (12,339)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in net pension liability and the related deferred inflows and deferred inflows of resources related to pensions.		(205,788)	
Rounding			<u>1</u>

Change in net position of governmental activities \$ (542,311)

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,515,138	1,515,138	1,326,111	(189,027)
Licenses and permits	213,150	213,150	85,086	(128,064)
Grants	63,950	63,950	37,115	(26,835)
Intergovernmental	200,000	200,000	407,449	207,449
Interest	1,422	1,422	956	(466)
Other	293,842	301,003	86,550	(214,453)
Total revenues	<u>2,287,502</u>	<u>2,294,663</u>	<u>1,943,267</u>	<u>(351,396)</u>
Expenditures:				
General government	533,507	538,807	536,568	2,239
Public safety	1,558,495	1,669,317	1,482,709	186,608
Highways and streets	236,107	236,107	190,236	45,871
Culture and recreation	223,172	227,498	198,385	29,113
Capital outlay	142,118	145,538	92,263	53,275
Total expenditures	<u>2,693,399</u>	<u>2,817,267</u>	<u>2,500,161</u>	<u>317,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(405,897)</u>	<u>(522,604)</u>	<u>(556,894)</u>	<u>(34,290)</u>
Other financing sources (uses):				
Operating transfers in	325,000	325,000	121,888	(203,112)
Operating transfers out	(600)	(39,132)	(47,356)	(8,224)
Total other financing sources (uses)	<u>324,400</u>	<u>285,868</u>	<u>74,532</u>	<u>(211,336)</u>
Net change in fund balance	(81,497)	(236,736)	(482,362)	(245,626)
Prior year cash appropriated	81,497	236,736		
	<u>\$ -</u>	<u>-</u>		
Non-GAAP change in fund balance			\$ (482,362)	
Change from:				
Taxes receivable			272,464	
Grants receivable			3,301	
Accounts payable			(28,494)	
Accrued compensation and benefits			<u>(14,548)</u>	
GAAP change in fund balance			\$ <u>(249,639)</u>	

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Net Position – Proprietary Funds
June 30, 2017

	Waste Water	Water	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 731,887	629,580	1,361,467
Accounts receivable, net of allowance	56,922	62,744	119,666
Restricted cash	82,463	89,755	172,218
Total current assets	871,272	782,079	1,653,351
Capital assets			
Land and water rights	1,154,573	388,763	1,543,336
Plant and equipment	15,867,334	3,350,018	19,217,352
Accumulated depreciation	(7,891,246)	(1,599,583)	(9,490,829)
Total capital assets, net of accumulated depreciation	9,130,661	2,139,198	11,269,859
Total assets	10,001,933	2,921,277	12,923,210
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	46,373	77,498	123,871
LIABILITIES			
Current liabilities			
Accounts payable	17,265	8,640	25,905
Accrued compensation and benefits	4,235	5,068	9,303
Interest payable	2,915	1,084	3,999
Deposits payable	-	47,125	47,125
Compensated absences - current	2,172	1,950	4,122
Loans payable - current	-	15,404	15,404
Bonds payable - current	40,264	-	40,264
Total current liabilities	66,851	79,271	146,122
Noncurrent liabilities			
Compensated absences - long-term	1,322	413	1,735
Loans payable	-	314,442	314,442
Bonds payable	1,117,525	-	1,117,525
Net pension liability	126,963	212,179	339,142
Total noncurrent liabilities	1,245,810	527,034	1,772,844
Total liabilities	1,312,661	606,305	1,918,966
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,983	4,986	7,969
NET POSITION			
Net investments in capital assets	7,972,872	1,809,352	9,782,224
Restricted for debt service	82,463	-	82,463
Unrestricted	677,327	578,132	1,255,459
Total net position	\$ 8,732,662	2,387,484	11,120,146

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Revenues, Expenses, and Changes in Fund Net Position-
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Waste Water</u>	<u>Water</u>	<u>Total</u>
Operating revenues			
Sales and services	\$ <u>662,858</u>	<u>601,506</u>	<u>1,264,364</u>
Operating expenses			
Depreciation	<u>292,212</u>	<u>406,372</u>	<u>698,584</u>
	<u>597,962</u>	<u>171,576</u>	<u>769,538</u>
Total operating expenses	<u>890,174</u>	<u>577,948</u>	<u>1,468,122</u>
Operating (loss) income	<u>(227,316)</u>	<u>23,558</u>	<u>(203,758)</u>
Nonoperating revenues (expenses)			
Interest income	401	484	885
Interest expense	(28,870)	(8,133)	(37,003)
Other income	15,644	1,610	17,254
Gain(loss) on asset disposal	-	1,375	1,375
Transfers in	30,000	162,596	192,596
Transfers out	<u>(84,498)</u>	<u>(102,887)</u>	<u>(187,385)</u>
Total nonoperating revenues (expenses)	<u>(67,323)</u>	<u>55,045</u>	<u>(12,278)</u>
Change in net position	(294,639)	78,603	(216,036)
Net position, beginning of year	<u>9,027,301</u>	<u>2,308,881</u>	<u>11,336,182</u>
Net position, end of year	\$ <u><u>8,732,662</u></u>	<u><u>2,387,484</u></u>	<u><u>11,120,146</u></u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2017

	<u>Waste Water</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 679,481	606,775	1,286,256
Cash paid to employees	(90,844)	(139,345)	(230,189)
Cash payments to vendors	(148,535)	(295,069)	(443,604)
Net cash provided by operating activities	<u>440,102</u>	<u>172,361</u>	<u>612,463</u>
Cash flows from noncapital and related financing activities			
Other income	15,644	1,610	17,254
Operating transfers in	(81,965)	(102,887)	(184,852)
Operating transfers out	30,000	166,829	196,829
Net cash provided by noncapital financing activities	<u>(36,321)</u>	<u>65,552</u>	<u>29,231</u>
Cash flows from capital and related financing activities			
Financing activities			
Purchase of capital assets	(313,492)	(109,685)	(423,177)
Gain on disposal of assets	-	1,375	1,375
Principle payment on bonds	(39,937)	(15,102)	(55,039)
Interest payment on bonds	(40,039)	-	(40,039)
Interest payment on loans	-	(7,785)	(7,785)
Net cash used by capital and related financing activities	<u>(393,468)</u>	<u>(131,197)</u>	<u>(524,665)</u>
Cash flows from investing activities			
Interest income	401	484	885
Net cash provided by investing activities	<u>401</u>	<u>484</u>	<u>885</u>
Net change in cash and cash equivalents	10,714	107,200	117,914
Cash, beginning of year	<u>803,636</u>	<u>612,135</u>	<u>1,415,771</u>
Cash, end of year	\$ <u>814,350</u>	<u>719,335</u>	<u>1,533,685</u>
Operating (loss) income	\$ (227,316)	23,558	(203,758)
Adjustments to reconcile operating income to net cash flows:			
Depreciation expense	597,962	171,576	769,538
Changes in assets and liabilities:			
Accounts receivable	26,500	5,269	31,769
Deferred outflows of resources	(45,347)	(71,090)	(116,437)
Accounts payable	17,265	5,986	23,251
Accrued expenses	1,455	(539)	916
Deposits payable	-	900	900
Net pension liability	68,791	38,265	107,056
Deferred inflows of resources	792	(1,564)	(772)
Net cash provided by operating activities	\$ <u>440,102</u>	<u>172,361</u>	<u>612,463</u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

ASSETS

Cash	\$	9,579
Accounts receivable		<u>2,541</u>
Total assets	\$	<u><u>12,120</u></u>

LIABILITIES

Due to other entities	\$	<u>12,120</u>
Total liabilities	\$	<u><u>12,120</u></u>

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

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, financial statements are presented for the Village and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Village has no component units.

The government-wide financial statements (i.e., the Statement of Net Position 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.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

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.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

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 unavailable revenue on its combined balance sheet. Unavailable revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable 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.

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.

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Village does not have an investment policy. Village funds are invested in accordance with New Mexico State Statute 6-10-36, which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

B. Cash and Cash Equivalents (continued)

3. Credit unions, pursuant to State Board of Finance Collateral Policies.
4. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
5. Investments in the New Mexico State Treasurer external investment pool (Local Government investment Pool).

Reserve Requirements

The New Mexico Department of Finance and Administration (DFA) requires New Mexico municipalities to maintain a cash balance in the General Fund of at least 1/12th (8.33%) of the General Fund's budgeted expenditures in order to maintain adequate cash flow until the next significant property tax collection. The Village met and exceeded the State's cash reserve requirements. The General Fund's cash reserve at June 30, 2017 was \$1,321,392 or 47.90% of the General Fund's final budget, exceeding the 1/12th reserve requirement.

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 Management's 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 to not retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

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. Intangible Assets

Under Statement of ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis. There were no intangible assets at year-end.

E. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Village has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

F. Pensions – Deferred Inflows and Deferred Outflows of Resources

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, which is the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized in accordance with the benefit terms. Investments are reported at fair value.

G. 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.

H. Fund Balances

The Village follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Village Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Village intends to use for a specific purpose. Intent can be expressed by the Village Council or by an official or body to which the Village Council delegates the authority.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

H. Fund Balances (continued)

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Village Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and nonrestricted fund balance is available, the Village considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Council have provided otherwise in its commitment or assignment actions.

Major Funds

General Fund: The Village's general fund had committed balances at June 30, 2017 in the amount of \$234,772, for subsequent years expenditures. See footnote N.

Other Funds

The following non-major funds have a Restricted Fund Balance designated for specific purposes:

Capital Projects Fund: Grant money of \$0 restricted by the grant document.

Corrections Fund: Motor vehicle violation fee revenue of \$24,767 restricted by state statute for the costs of corrections.

Environmental Gross Receipts Tax Fund: Gross receipts tax revenue of \$51,288 restricted by Joint Powers Agreement for the acquisition, construction, operation, and maintenance of wastewater and water facilities, sewer systems and related facilities.

Emergency Medical Services Fund: Grant money of \$0 restricted by the grant document.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

H. Fund Balances (continued)

Fire Protection Fund: Annual fire allotment of \$116,360 restricted by state statute for the operations and maintenance of the fire department.

Assigned funds consist of \$140,793 in the Streets Fund designated for the maintenance of Village roads, \$10,436 in the Recreation fund designated for Village recreational facilities and programs, \$80,887 in the EMS Tax Fund designated for emergency equipment and supplies, and \$17,031 in the Traffic Safety Fund designated for the purchase and maintenance of traffic safety equipment.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 investment in capital assets excludes unspent debt proceeds. Net position is 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.

J. 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.

K. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds considers checking accounts, money market accounts, certificates of deposit, and highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

L. 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:

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (continued)

L. Budgetary Information (continued)

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.
5. The Village does not budget for depreciation.

M. 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.

N. Fund Balance for Subsequent Years Expenditures

According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Village of Bosque Farms is required to reserve 1/12th of the General Fund's budgeted expenditures (\$234,772) for subsequent year expenditures to maintain an adequate cash flow. The Village has incorporated this reserve requirement within its financial policies approved by the Village Council. These balances are reported as assigned to subsequent years expenditures in the General Fund. The Village is in compliance with these DFA requirements.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

2. Cash and Cash Equivalents

The Village's cash balances consist of demand deposits, CDs, and a money market account. The majority of the Village's cash and investments in the governmental funds are pooled. All interest income is accounted for in the related funds. The Village does not have a deposit policy. The Village's cash and cash equivalents are listed in the accompanying Schedule of Depositories.

The following is a summary of the Village's cash and cash equivalents balances by fund type as of June 30, 2017:

Type	Amount
Cash and cash equivalents	
Governmental funds	\$ 1,917,759
Business-Type activities	1,533,685
Fiduciary funds	<u>9,579</u>
Total cash and cash equivalents	<u>\$ 3,461,023</u>

Custodial Credit Risk. 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, 2017, the Village's bank balance total of \$3,416,584 was exposed to credit risk as follows:

Insured through federal depository insurance	\$ 500,000
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Village's name	2,666,090
Uninsured and uncollateralized	<u>250,494</u>
Total deposits	<u>\$ 3,416,584</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 federally insured balances at each financial institution.

The total balance in any single financial institution may at times exceed the FDIC coverage available to deposits. 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.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

3. 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.

	Waste	Water Fund	Total
	Water Fund	Water Fund	Receivables
Accounts receivable	\$ 66,799	73,033	139,832
Less: Allowance for uncollectible	(9,877)	(10,289)	(20,166)
Net receivables	\$ 56,922	62,744	119,666

The Village maintains an allowance for uncollectible receivable balance in the Waste Water Fund and the Water Fund that consist of balances that are not expected to be collected within one year and which are deemed uncollectible, and have a lien placed on the account. These balances became legally uncollectible when "any debt that is not enforceable in a judicial proceeding because the applicable statute of limitations has run out" NMAC 12.2.12.7(I). The Village may remove legally uncollectible debt that is four years old, and that is contractually six years old as permitted by NMSA 1978 3-37-7.

4. Capital Assets

Governmental fund capital asset activity for the year ending June 30, 2017 was as follows:

	Beginning	Additions	Transfers or	Ending
	Balance	Additions	Deletions	Balance
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 527,070	-	-	527,070
Construction in progress	5,165	-	(5,165)	-
Total, not depreciated	\$ 532,235	-	(5,165)	527,070
Capital assets, depreciated				
Buildings and improvements	\$ 3,756,022	81,230	-	3,837,252
Vehicles	1,429,300	43,389	(48,530)	1,424,159
Machinery, equipment and furniture	1,379,801	15,980	-	1,395,781
Infrastructure	2,524,443	88,294	5,165	2,617,902
Total capital assets being depreciated	9,089,566	228,893	(43,365)	9,275,094
Accumulated depreciation for:				
Buildings and improvements	1,844,558	151,047	-	1,995,605
Vehicles	996,677	59,410	(48,530)	1,007,557
Machinery, equipment and furniture	1,190,996	86,559	-	1,277,555
Infrastructure	1,054,537	122,032	1,076	1,177,645
Total accumulated depreciation	5,086,768	419,048	(47,454)	5,458,362
Total capital assets, depreciated, net	\$ 4,002,798	(190,155)	4,089	3,816,732
Total capital assets, net	\$ 4,535,033	(190,155)	(1,076)	4,343,802

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
June 30, 2017

4. Capital Assets (continued)

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

General government	\$	41,366
Public safety		195,699
Highways and streets		122,419
Culture and recreation		<u>59,564</u>
Total depreciation expense	\$	<u>419,048</u>

Enterprise funds capital asset activity for the year ending June 30, 2017 was as follows:

	Beginning Balance	Additions	Transfers or Deletions	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	<u>374,626</u>	-	-	<u>374,626</u>
Total, not depreciated	\$ <u>1,543,336</u>	-	-	<u>1,543,336</u>
Capital assets, depreciated				
Waste water:				
Buildings and improvements	\$ 14,143,167	313,492	-	14,456,659
Vehicles	364,172	-	(16,318)	347,854
Machinery and equipment	1,062,821	-	-	1,062,821
Water:				
Buildings and improvements	2,633,060	-	-	2,633,060
Vehicles	37,435	-	(16,318)	21,117
Machinery and equipment	<u>586,156</u>	<u>109,685</u>	-	<u>695,841</u>
Total, depreciated	<u>18,826,811</u>	<u>423,177</u>	<u>(32,636)</u>	<u>19,217,352</u>
Accumulated depreciation for:				
Waste water	7,309,602	597,962	(16,318)	7,891,246
Water	<u>1,444,325</u>	<u>171,576</u>	<u>(16,318)</u>	<u>1,599,583</u>
Total accumulated depreciation	<u>8,753,927</u>	<u>769,538</u>	<u>(32,636)</u>	<u>9,490,829</u>
Total capital assets, depreciated, net	\$ <u>10,072,884</u>	<u>(346,361)</u>	-	<u>9,726,523</u>
Total capital assets, net of depreciation	\$ <u>11,616,220</u>	<u>(346,361)</u>	-	<u>11,269,859</u>

Depreciation expense for the Enterprise funds is \$769,538 at June 30, 2017.

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VILLAGE OF BOSQUE FARMS
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5. Long-Term Obligations – Governmental Activities

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 43,979	43,996	31,657	56,318	40,769
Net pension liability	<u>1,757,486</u>	<u>1,084,214</u>	<u>-</u>	<u>2,841,700</u>	<u>-</u>
Total	\$ <u>1,801,465</u>	<u>1,128,210</u>	<u>31,657</u>	<u>2,898,018</u>	<u>40,769</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:

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

6. Long-Term Debt – Business-Type Activities

During the year ended June 30, 2017, the following changes occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 6,081	6,543	6,767	5,857	4,122
Net pension liability	232,086	107,056	-	339,142	-
Notes payable	344,948	-	15,102	329,846	15,404
Bonds payable	<u>1,197,726</u>	<u>-</u>	<u>39,937</u>	<u>1,157,789</u>	<u>40,264</u>
Total	\$ <u>1,780,841</u>	<u>113,599</u>	<u>61,806</u>	<u>1,832,634</u>	<u>59,790</u>

Notes Payable. During the year ended June 30, 2015, the Village entered into a construction loan and subsidy agreement in the amount of \$748,000. The subsidy is 25% of the loan and will be forgiven as loan funds are spent up to a maximum of \$188,870. The remaining amount is a loan in the amount of \$566,610. The proceeds were used for water infrastructure improvements.

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6. Long-Term Debt - Enterprise Funds (continued)

The loan is to be paid in twenty yearly principal and interest payments of \$34,652 beginning in 2016. Interest accrues on the outstanding principal at 2.0%.

On May 1, 2016, the loan was converted to term loan in the amount of \$344,948. The term loan is to be paid in twenty yearly principal payments and semi-monthly interest payments of \$22,002 beginning May 1, 2017. Interest accrues on the outstanding principal at 2% and are payable solely from pledged net revenues of the water system. The revenues pledged totaled \$396,026 and equal 3.67% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the Village collected \$598,851 in pledged revenues, and retired \$22,001 in principle and interest in the aforementioned note.

The future requirements for notes payable are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,404	6,597	22,001
2019	15,713	6,289	22,002
2020	16,027	5,975	22,002
2021	16,347	5,654	22,001
2022-2026	86,774	23,233	110,007
2027-2031	95,806	14,202	110,008
2032-2035	83,775	4,230	88,005
	<u>\$ 329,846</u>	<u>66,180</u>	<u>396,026</u>

Bonds Payable. Pursuant to ordinance 2015-02, in October 2015 the Village issued \$1,224,161 in refunding bonds. The bonds carry a .45% to 3.88% interest rate and are payable solely from pledged net revenues of the sewer system. The revenues pledged totaled \$1,666,107 and equal 11.16% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the Village collected \$662,858 in pledged revenues, and retired \$75,733 in principal and interest in the aforementioned bond. Interest payments are due in June and December of each year, and principal payments are due in June. Yearly principal and interest payments are \$75,732. The bonds mature in June 2039.

The future requirements for bonds payable are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,264	35,468	75,732
2019	40,703	35,029	75,732
2020	41,236	34,496	75,732
2021	41,896	33,836	75,732
2022-2026	223,339	155,322	378,661
2027-2031	256,109	122,552	378,661
2032-2036	303,513	75,147	378,660
2037-2039	210,729	16,468	227,197
	<u>\$ 1,157,789</u>	<u>508,318</u>	<u>1,666,107</u>

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VILLAGE OF BOSQUE FARMS
Notes to Financial Statements
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7. Operating Leases

The Village has entered into an operating lease for four copiers, and one postage system which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases are primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 6,228
2019	5,359
2020	5,359
2021	4,909
2022	<u>4,759</u>
	<u>\$ 26,614</u>

Rental payments charged to current operations for the year ended June 30, 2017 totaled \$8,212.

8. Property Taxes

Valencia County is responsible for assessing, collecting, and distributing property taxes for the Village. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by May 10 of the following year. Property taxes are delinquent if not paid by December 10 and June 10. Taxes on real property are liened on January 1 of the year for which the taxes are imposed.

9. Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Fund Financial Statements	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
Major Funds:		
General	\$ 47,356	121,888
Non-major Funds	76,956	600
Proprietary Funds		
Wastewater	84,498	30,000
Water	<u>102,887</u>	<u>162,596</u>
Total	<u>\$ 311,697</u>	<u>315,084</u>

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VILLAGE OF BOSQUE FARMS
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9. Interfund Transfers (continued)

Government-Wide Financial Statements	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Net Transfers</u>
Governmental Activities			
Major Funds:			
General	\$ 77,644	148,789	71,145
Non-major Funds	<u>76,956</u>	<u>600</u>	<u>(76,356)</u>
Total Governmental Activities	<u>\$ 154,600</u>	<u>149,389</u>	<u>(5,211)</u>
Business-Type Activities			
Wastewater	\$ 84,498	30,000	(54,498)
Water	<u>102,887</u>	<u>162,596</u>	<u>59,709</u>
Total Business-Type Activities	<u>\$ 187,385</u>	<u>192,596</u>	<u>5,211</u>

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

10. PERA Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016, available at:

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-reports-CAFR_12.22.2016_FINAL-with-corrections.pdf

STATE OF NEW MEXICO
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10. PERA Pension Plan (continued)

Contributions – The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 40 through 43 of the PERA FY16 annual audit report at:

http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf

The PERA coverage option that applies to Village is the Municipal General Division and the Police Division. Statutorily required contributions to the pension plan from the Village were \$53,706 for the year ended June 30, 2017 for the Municipal Division and \$105,194 for the Police Division year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement dated June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2017, the Village reported a liability of \$1,121,560 for its proportionate share of the net pension liability. At June 30, 2017, the Village’s

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VILLAGE OF BOSQUE FARMS
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10. PERA Pension Plan (continued)

PERA Municipal General Division (continued)

proportion was 0.0702%, which increased from its proportion of 0.0686% measured as of June 30, 2016.

For the year ended June 30, 2017, the Village recognized PERA Municipal General Division pension expense of \$77,016. At June 30, 2017, the Village reported PERA General Fund Division deferred outflows of resources and deferred inflows of resources of \$404,819 and (\$11,132), respectively, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,038	(10,945)
Change of assumption	65,766	(187)
Change in proportion	22,944	-
Net difference between projected and actual earnings on pension plan investments	206,365	-
Village contributions subsequent to the measurement date	53,706	-
Total	\$ 404,819	(11,132)

\$53,706 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	77,842
2019		77,842
2020		131,714
2021		52,583
2022		-
	\$	339,981

PERA Municipal Police Division

For the PERA Municipal Police Division, at June 30, 2017, the Village reported a liability of \$2,059,282 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was 0.2791%, which increased from its proportion measured of 0.2683% as of June 30, 2016.

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10. PERA Pension Plan (continued)

PERA Municipal Police Division (continued)

For the year ended June 30, 2017, the Village recognized PERA Municipal Police Division pension expense of \$175,556. At June 30, 2017, the Village reported PERA Municipal Police Division deferred outflows of resources and deferred inflows of resources of \$756,683 and (\$63,610), respectively, related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	151,182	-
Change of assumption		136,395	(37,139)
Change in proportion		38,225	(26,471)
Net difference between projected and actual earnings on pension plan investments		325,687	-
Village contributions subsequent to the measurement date		105,194	-
Total	\$	756,683	(63,610)

\$105,195 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018		\$	138,021
2019			138,021
2020			227,401
2021			84,436
2022			-
	\$		587,879

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles.

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10. PERA Pension Plan (continued)

These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return	7.48% of annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projections to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real times of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

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10. PERA Pension Plan (continued)

Discount Rate. The rate is 7.25% for the first 10 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village's net pension liability in each PERA fund division the Village participates in using a discount rate of 7.48% as well, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

		1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
<u>PERA Fund Division - Municipal General</u>				
Village's proportionate share of the net pension liability	\$	1,672,146	1,121,560	664,876
<u>PERA Fund Division - Municipal Police</u>				
Village's proportionate share of the net pension liability	\$	3,029,716	2,059,282	1,265,581

Pension plan fiduciary net position – Detailed information about the pension's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of 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; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2017, the

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11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Village's contributions to the RHCA for the fiscal years ended June 30, 2017, 2016, and 2015 were \$25,089, \$25,872, and \$24,458, respectively, which equal the required contributions for each year.

12. Prior Period Adjustment

The Village has recorded a prior period adjustment in the amount of \$60,000 in the Streets Fund as a result of revenue that was recorded in the year ended June 30, 2017 that related to the fiscal year ended June 30, 2016.

In addition, the Village has recorded a prior period adjustment in the amount of \$(106,460) in the Streets Fund as a result of revenue in the amount of \$17,540 and \$94,543 in deferred revenue that was not recorded in the year ended June 30, 2016 on the fund financials. For the government-wide financials, the Village has recorded a prior period adjustment of \$101,460 in the Streets Fund as a result of \$94,543 revenue that was recorded in the year ended June 30, 2016 that was related to revenue in the amount of \$77,003 for the year ended June 30, 2017 and deferred inflows in the amount of \$29,457.

In addition, the Village has recorded a prior period adjustment in the amount of \$57,500 in the General Fund as a result of revenue that was recorded in the year ended June 30, 2017 that related to the fiscal year ended June 30, 2016.

Further, the Village has recorded a prior period adjustment in the amount of \$(50,426) in the Capital Projects Fund as a result of a revenue that related to the fiscal year ended June 30, 2017 that was recognized during the fiscal year ended June 30, 2016.

The effect of the prior period adjustments above total \$84,614 in the Governmental Funds as presented in the Statement of Revenues, Expenses, and Changes in Fund Balances. The effect of the prior period adjustments above total \$(39,386) as presented in the Statement of Activities, Governmental Activities column.

13. 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.

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13. Risk Management (continued)

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.

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 \$6,881,617, and deductibles range from \$2,500 to \$10,000.

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.

14. Fund Deficits and Non-Compliance

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficient Fund Balance

The following fund balance was a deficit balance as of June 30, 2017:

Fund	Fund Type	Amount
Emergency Medical Services	Special Revenue	\$ 90

15. Subsequent Events

The Village has evaluated subsequent events through December 14, 2017, the date the financial statements were available to be issued. The Village had no material subsequent events from June 30, 2017 to December 14, 2017.

16. Restatement of Net Position

The Capital Projects Fund was reported as a major fund in the prior year, but has been reported as a non-major fund in the current year. The beginning fund balance for the non-major fund has been increased by \$50,426 and major funds have decreased by the same amount.

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17. Subsequent Pronouncements

GASB 74

Governmental Accounting Standards Board Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans is intended to enhance the decision-usefulness of the financial reports of OPEB plans, their value for assessing accountability and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. GASB 74 basically parallels GASB 67 and replaces Statements No. 43 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. GASB 74 requires enhanced note disclosures and is effective for financial statements for fiscal years beginning after June 15, 2016 (FY17). The Village adopted GASB Statement No. 74 during fiscal year 2017, with no significant impact to the Village's financial statements.

GASB 75

Governmental Accounting Standards Board Statement No. 75 Accounting Financial Reporting for Postemployment Benefits Other Than Pensions establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This Statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). Management has not yet fully determined the impact of GASB 75.

GASB 82

Governmental Accounting Standards Board Statement No. 82 Pension Issues - an amendment of GASB Statement Nos. 67, 68, and 73, addresses certain issues that have been raised with respect to Statement Nos. 67, 68, and 73, related to covered payroll and payments made by the employer to satisfy contribution requirements. GASB 82 is effective for reporting periods beginning after June 15, 2016. The Village adopted GASB Statement No. 82 during fiscal year 2017, with no significant impact to the Village's financial statements.

GASB 85

Governmental Accounting Standards Board Statement No. 85 Omnibus 2017 address practice issues identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and post-employment benefits (OPEB). GASB 85 is effective for fiscal years beginning after June 15, 2017 (FY18). Management has not yet fully determined the impact of GASB 85.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of the Village's Proportionate Share of the Net Pension Liability of PERA's
Municipal General Division and Municipal Police Division
Public Employee's Retirement Association (PERA) Plan – Last 10 Fiscal Years*
June 30, 2017

Municipal General Division	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village of Bosque Farms' proportion of the net pension liability (asset)	0.0720%	0.0686%	0.0668%
Village of Bosque Farms' proportionate share of the net pension liability (asset)	\$ 1,121,560	699,436	521,112
Village of Bosque Farms' covered-employee payroll	\$ 562,367	603,447	568,728
Village of Bosque Farms' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	119%	116%	92%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%
Municipal Police Division	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village of Bosque Farms' proportion of the net pension liability (asset)	0.02791%	0.2683%	0.2789%
Village of Bosque Farms' proportionate share of the net pension liability (asset)	\$ 2,059,282	1,290,137	909,184
Village of Bosque Farms' covered-employee payroll	\$ 556,583	554,353	526,325
Village of Bosque Farms' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	370%	233%	173%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of the Village's Contributions to the
Public Employees Retirement Association (PERA) Plan's
Municipal General Division and Municipal Police Division – Last 10 Fiscal Years*
June 30, 2017

Municipal General Division

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 53,706	57,629	54,230
Contributions in relation to the contractually required contribution	<u>53,706</u>	<u>57,629</u>	<u>54,230</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Village's covered-employee payroll	\$ 562,367	603,447	568,728
Contributions as a percentage of covered-employee payroll	9.5%	9.5%	9.5%

Municipal Police Division

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 105,194	104,773	99,392
Contributions in relation to the contractually required contribution	<u>105,194</u>	<u>104,773</u>	<u>99,392</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Village's covered-employee payroll	\$ 556,583	554,353	526,325
Contributions as a percentage of covered-employee payroll	18.9%	18.9%	18.9%

* The amounts presented were determined as of June 30, 2017. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Notes to Schedules of PERA Plan Information
June 30, 2017

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are now described in Note 1 of the PERA FY16 audit available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reorts/CAFR-2016.pdf>.

Changes in Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Non-Major Funds
June 30, 2017

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 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 establishment of local emergency medical services, 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.

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.

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.

EMS Tax. To account for funds available for the operation of emergency medical services. Financing is provided by Valencia County. Authority is NMSA 7-20E-22.

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.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Combining Balance Sheet
Non-Major Funds
June 30, 2017

	Corrections	Special Revenue								Capital Project	Total Nonmajor
		Environmental Gross Receipts Tax	Emergency Medical Services	Fire Protection	Law Enforcement	Streets	Recreation	EMS Tax	Traffic Safety		
ASSETS											
Cash and cash equivalents	\$ 26,552	51,288	-	253,530	-	168,746	10,436	68,784	17,031	-	596,367
Receivables:											
Grants	-	-	-	-	-	10,074	-	-	-	-	10,074
Taxes:											
Gross receipts	-	-	-	-	-	-	-	12,738	-	-	12,738
Gasoline	-	-	-	-	-	4,232	-	-	-	-	4,232
Total assets	\$ <u>26,552</u>	<u>51,288</u>	<u>-</u>	<u>253,530</u>	<u>-</u>	<u>183,052</u>	<u>10,436</u>	<u>81,522</u>	<u>17,031</u>	<u>-</u>	<u>623,411</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ 1,785	-	90	1,544	-	12,802	-	-	-	-	16,221
Accrued compensation and benefits	-	-	-	-	-	-	-	635	-	-	635
Unearned revenue	-	-	-	-	-	29,457	-	-	-	-	29,457
Total liabilities	<u>1,785</u>	<u>-</u>	<u>90</u>	<u>1,544</u>	<u>-</u>	<u>42,259</u>	<u>-</u>	<u>635</u>	<u>-</u>	<u>-</u>	<u>46,313</u>
FUND BALANCES											
Restricted, special revenues	24,767	51,288	(90)	251,986	-	-	-	-	-	-	327,951
Assigned, special revenues	-	-	-	-	-	140,793	10,436	80,887	17,031	-	249,147
Total fund balances	<u>24,767</u>	<u>51,288</u>	<u>(90)</u>	<u>251,986</u>	<u>-</u>	<u>140,793</u>	<u>10,436</u>	<u>80,887</u>	<u>17,031</u>	<u>-</u>	<u>577,098</u>
Total liabilities and fund balances	\$ <u>26,552</u>	<u>51,288</u>	<u>-</u>	<u>253,530</u>	<u>-</u>	<u>183,052</u>	<u>10,436</u>	<u>81,522</u>	<u>17,031</u>	<u>-</u>	<u>623,411</u>

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Funds
June 30, 2017

	Special Revenue										Total Non-Major
	Corrections	Environmental Gross Receipts Tax	Emergency Medical Services	Fire Protection	Law Enforcement Protection	Streets	Recreation	EMS Tax	Traffic Safety	Capital Project	
Revenues:											
Taxes	\$ -	22,148	-	-	-	47,502	-	44,754	-	-	114,404
Licenses, permits, fees, and fines	12,725	-	-	-	-	-	-	-	4,370	-	17,095
From non-federal sources:											
Grants	-	-	5,067	191,599	28,400	87,833	-	-	-	133,186	446,085
Interest	128	284	-	-	-	1	-	-	-	-	413
Other	-	-	-	-	-	-	-	399	-	-	399
Total revenues	<u>12,853</u>	<u>22,432</u>	<u>5,067</u>	<u>191,599</u>	<u>28,400</u>	<u>135,336</u>	<u>-</u>	<u>45,153</u>	<u>4,370</u>	<u>133,186</u>	<u>578,396</u>
Expenditures:											
Current:											
General government	-	750	-	-	-	-	-	-	-	-	750
Public safety	33,177	-	5,166	38,566	28,400	-	-	28,705	8,181	-	142,195
Highways and streets	-	-	-	-	-	29,295	-	-	-	-	29,295
Culture and recreation	-	-	-	-	-	-	1,016	-	-	-	1,016
Capital outlay	-	-	-	17,407	-	99,945	-	-	-	81,230	198,582
Total expenditures	<u>33,177</u>	<u>750</u>	<u>5,166</u>	<u>55,973</u>	<u>28,400</u>	<u>129,240</u>	<u>1,016</u>	<u>28,705</u>	<u>8,181</u>	<u>81,230</u>	<u>371,838</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(20,324)	21,682	(99)	135,626	-	6,096	(1,016)	16,448	(3,811)	51,956	206,558
Other financing sources (uses)											
Operating transfers in	-	-	-	-	-	-	600	-	-	-	600
Operating transfers out	-	(25,000)	-	-	-	-	-	-	-	(51,956)	(76,956)
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>(51,956)</u>	<u>(76,356)</u>
Net change in fund balances	(20,324)	(3,318)	(99)	135,626	-	6,096	(416)	16,448	(3,811)	-	130,202
Fund balance, beginning of year - previously stated	45,091	54,606	9	116,360	-	57,157	10,852	64,439	20,842	50,426	419,782
Prior period adjustments	-	-	-	-	-	77,540	-	-	-	(50,426)	27,114
Fund balance, beginning of year - restated	<u>45,091</u>	<u>54,606</u>	<u>9</u>	<u>116,360</u>	<u>-</u>	<u>134,697</u>	<u>10,852</u>	<u>64,439</u>	<u>20,842</u>	<u>-</u>	<u>446,896</u>
Fund balance, end of year	\$ <u>24,767</u>	<u>51,288</u>	<u>(90)</u>	<u>251,986</u>	<u>-</u>	<u>140,793</u>	<u>10,436</u>	<u>80,887</u>	<u>17,031</u>	<u>-</u>	<u>577,098</u>

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)
Waste Water Enterprise Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 919,145	919,145	662,858	(256,287)
Interest	500	500	401	(99)
Other	<u>11,500</u>	<u>11,500</u>	<u>15,644</u>	<u>4,144</u>
Total revenues	<u>931,145</u>	<u>931,145</u>	<u>678,903</u>	<u>(252,242)</u>
Expenditures				
Operating	597,179	647,179	634,836	12,343
Debt Service	<u>75,733</u>	<u>79,975</u>	<u>40,038</u>	<u>39,937</u>
Total expenditures	<u>672,912</u>	<u>727,154</u>	<u>674,874</u>	<u>52,280</u>
Excess of revenues over expenditures	<u>258,233</u>	<u>203,991</u>	<u>4,029</u>	<u>(199,962)</u>
Other financing sources (uses)				
Operating transfers in	135,733	139,975	30,000	(109,975)
Operating transfers out	<u>(175,733)</u>	<u>(179,975)</u>	<u>(57,729)</u>	<u>122,246</u>
Total other financing sources (uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(27,729)</u>	<u>12,271</u>
Change in net position	218,233	163,991	(23,700)	(187,691)
Prior year cash appropriated	<u>803,636</u>	<u>803,636</u>	-	
Net change in fund balance	\$ <u>218,233</u>	<u>163,991</u>	(23,700)	(187,691)
Non-GAAP change in fund balance			\$ (23,700)	
Change from:				
Receivables			(9,877)	
Accounts payable			353,956	
Accrued compensation and benefits			(28,151)	
Interest payable			11,168	
Compensated absences			(73)	
Non-budgeted items:				
Depreciation			<u>(597,962)</u>	
GAAP change in fund balance			\$ <u>(294,639)</u>	

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)
Water Enterprise Fund
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 590,682	591,359	601,506	10,147
Interest	5,000	5,000	484	(4,516)
Other	29,400	29,400	1,610	(27,790)
Total revenues	<u>625,082</u>	<u>625,759</u>	<u>603,600</u>	<u>(22,159)</u>
Expenditures				
Operating	522,177	527,813	391,642	136,171
Capital Outlay	-	-	-	-
Debt service	22,001	22,887	7,785	15,102
Total expenditures	<u>544,178</u>	<u>550,700</u>	<u>399,427</u>	<u>151,273</u>
Excess of revenues over expenditures	<u>80,904</u>	<u>75,059</u>	<u>204,173</u>	<u>129,114</u>
Other financing sources (uses)				
Sale of capital assets	-	-	1,375	1,375
Operating transfers in	22,001	22,887	80,616	57,729
Operating transfers out	(247,001)	(247,887)	(102,887)	145,000
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(20,896)</u>	<u>204,104</u>
Change in net position	(144,096)	(149,941)	183,277	333,218
Prior year cash appropriated	522,384	522,384	-	
Net change in fund balance	\$ <u>378,288</u>	<u>372,443</u>	183,277	333,218
Non-GAAP change in fund balance		\$	183,277	
Change from:				
Receivables			(6,836)	
Accounts payable			43,391	
Accrued compensation and benefits			30,398	
Interest payable			(348)	
Compensated absences			297	
Non-budgeted items:				
Debt service - principal			-	
Depreciation			<u>(171,576)</u>	
GAAP change in fund balance		\$	<u>78,603</u>	

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Agency Funds
June 30, 2017

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.

Living Cross EMS Fund. To account for the receipt and disbursement of money held by the Village on behalf of Living Cross EMS.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Municipal Judge's Fund				
Assets:				
Cash	\$ 7,533	80,750	(81,048)	7,235
Accounts receivable	2,541	-	-	2,541
Total assets	<u>\$ 10,074</u>	<u>80,750</u>	<u>(81,048)</u>	<u>9,776</u>
Liabilities:				
Due to other entities	\$ 10,074	80,750	(81,048)	9,776
Total liabilities	<u>\$ 10,074</u>	<u>80,750</u>	<u>(81,048)</u>	<u>9,776</u>
Municipal Judge's Bond Fund				
Assets:				
Cash	\$ 1,965	7,586	(7,207)	2,344
Total assets	<u>\$ 1,965</u>	<u>7,586</u>	<u>(7,207)</u>	<u>2,344</u>
Liabilities:				
Due to other entities	\$ 1,965	7,586	(7,207)	2,344
Total liabilities	<u>\$ 1,965</u>	<u>7,586</u>	<u>(7,207)</u>	<u>2,344</u>
Living Cross EMS				
Assets:				
Cash	\$ 29	12,946	(12,975)	-
Total assets	<u>\$ 29</u>	<u>12,946</u>	<u>(12,975)</u>	<u>-</u>
Liabilities:				
Due to other entities	\$ 29	12,946	(12,975)	-
Total liabilities	<u>\$ 29</u>	<u>12,946</u>	<u>(12,975)</u>	<u>-</u>
Total Assets				
Cash	\$ 9,527	101,282	(101,230)	9,579
Accounts receivable	2,541	-	-	2,541
Total assets	<u>\$ 12,068</u>	<u>101,282</u>	<u>(101,230)</u>	<u>12,120</u>
Total Liabilities				
Due to other entities	\$ 12,068	101,282	(101,230)	12,120
Total liabilities	<u>\$ 12,068</u>	<u>101,282</u>	<u>(101,230)</u>	<u>12,120</u>

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Depositories
June 30, 2017

Account Name	Type	New Mexico Finance Authority	New Mexico Bank & Trust	First American Bank	Plus Deposits in Transit	Less Outstanding Checks	Balance per Books
General Pooled Cash	Non-int bearing checking	\$ -	892,148	-	2,252	(11,191)	883,209
Special Revenue Pooled Cash	Non-int bearing checking	-	484,937	-	-	(9,655)	475,282
Payroll Clearing Cash	Non-int bearing checking	-	4,575	-	35	(4,610)	-
Payroll Clearing Cash	Non-int bearing checking	-	-	-	-	-	-
Investment Account	CD	-	-	258,272	-	-	258,272
General Fund Money Market	Money Market	-	-	300,996	-	-	300,996
Petty Cash		-	-	-	-	-	200
Cash and cash equivalents - governmental funds		\$ -	<u>1,381,660</u>	<u>559,268</u>	<u>2,287</u>	<u>(25,456)</u>	<u>1,917,759</u>
Utility Enterprise Account	Non-int bearing checking	-	1,317,377	-	3,506	(18,783)	1,302,100
Investment Account	CD	-	-	149,122	-	-	149,122
Debt Service Reserve	Non-int bearing checking	82,463	-	-	-	-	82,463
Petty Cash		-	-	-	-	-	150
Cash and cash equivalents - business-type activities		\$ <u>82,463</u>	<u>1,317,377</u>	<u>149,122</u>	<u>3,506</u>	<u>(18,783)</u>	<u>1,533,685</u>
Municipal Court Pooled Cash	Non-int bearing checking	-	9,157	-	2,689	(2,267)	9,579
Cash and cash equivalents - agency funds		\$ -	<u>9,157</u>	<u>-</u>	<u>2,689</u>	<u>(2,267)</u>	<u>9,579</u>

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Pledged Collateral
June 30, 2017

	New Mexico Bank & Trust	First American Bank	Total
Deposits at June 30, 2017	\$ 2,708,194	708,390	3,416,584
Less: FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Uninsured public funds	2,458,194	458,390	2,916,584
Pledged collateral held by the pledging bank's trust department or agent but not in the Village's name	<u>(2,325,340)</u>	<u>(340,750)</u>	<u>(2,666,090)</u>
Uninsured and uncollateralized	<u>\$ 132,854</u>	<u>117,640</u>	<u>250,494</u>
50% pledged collateral requirement per statute	\$ 66,427	58,820	125,247
Total pledged collateral	<u>2,325,340</u>	<u>340,750</u>	<u>2,666,090</u>
Pledged collateral over the requirement	<u>\$ (2,258,913)</u>	<u>(281,930)</u>	<u>(2,540,843)</u>

Pledged collateral at June 30, 2017 consists of the following:

Security	Cusip	Maturity	Fair Market Value	Fair Market Value	Total
District Columbia Wtr & Swr Au Sub Lien Rev Ref	254845MN7	10/1/2036	\$ 2,325,340	-	2,325,340
Ruidoso SD#3 NM21	781338HR2	8/1/2021	-	340,750	340,750
			<u>\$ 2,325,340</u>	<u>340,750</u>	<u>2,666,090</u>

The custodian of the pledged securities for New Mexico Bank & Trust is the SunTrust Bank in Atlanta, Georgia.

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

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Joint Powers Agreements
June 30, 2017

Prisoner Housing

Participants: Valencia County & Village of Bosque Farms
Responsible party: Valencia County
Description: To provide housing of municipal prisoners arrested by the Village and confined in the Valencia County Detention Center.
Period: 06/14 to indefinite
Project costs: \$85 per day
Annual Village contributions: \$23,592
Audit responsibility: Valencia County
Fiscal agent: Valencia County

Animal Control

Participants: Valencia County Animal Control Center & Village of Bosque Farms
Responsible party: Valencia County Animal Control Center
Description: Collect and keep custody of animals.
Period: 07/02 to indefinite
Project costs: \$453 per month for custody of dogs and cats
Annual Village contributions: \$5,889
Audit responsibility: Valencia County
Fiscal agent: Valencia County

Wildlife Protection Activities

Participants: State of New Mexico Energy, Minerals and Natural Resources Dept. & Village of Bosque Farms
Responsible party: State of New Mexico Energy, Minerals and Natural Resources Dept.
Description: To provide a cooperative fire protection system covering any or all private, County, non-municipal, and State lands within or adjacent to the Village.
Period: Perpetual
Project costs: Payments are on a reimbursement basis for requested reimbursable services only
Annual Village contributions: None
Audit responsibility: State of New Mexico Energy, Minerals and Natural Resources Dept.
Fiscal agent: State of New Mexico Energy, Minerals and Natural Resources Dept.

Emergency 911 Regional Emergency Communications Center

Participants: City of Belen, Village of Los Lunas, & Village of Bosque Farms, Valencia County & City of Rio Communities.
Responsible party: Village of Los Lunas
Description: Provision of enhanced emergency 911 services; establishment of the Valencia Regional Emergency Communications Center.
Period: Perpetual

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 VILLAGE OF BOSQUE FARMS
 Schedule of Joint Powers Agreements
 June 30, 2017

Project costs: Operating expenses of the Communications Center based on the proportion of calls generated in the respective jurisdictions, and equitable proportion of loan payments for capital outlay.
 Annual Village contributions: \$27,014
 Audit responsibility: Village of Los Lunas
 Fiscal agent: Village of Los Lunas

Medical Director for EMS Services

Participants: Valencia County & Village of Bosque Farms
 Responsible party: Valencia County
 Description: Provision of medical direction as necessary for the fire medical rescue services of the Village of Bosque Farms.
 Period: Perpetual
 Project costs: \$4,575 per year
 Annual Village contributions: \$4,575
 Audit responsibility: Valencia County
 Fiscal agent: Valencia County

Police Service

Participants: Village of Bosque Farms & Town of Peralta
 Responsible party: Village of Bosque Farms
 Description: Bosque Farms Police Department will provide police services to the Town of Peralta.
 Period: Yearly renewal
 Project costs: The Town of Peralta pays the Village of Bosque Farms \$230,000 per year, with yearly increases.
 Annual Village contributions: N/A
 Audit responsibility: Village of Bosque Farms
 Fiscal agent: Village of Bosque Farms

Group Benefits Program

Participants: City of Albuquerque, New Mexico & Village of Bosque Farms
 Responsible party: City of Albuquerque, New Mexico
 Description: To provide a group benefits program for eligible employees and their dependents, including medical, dental, vision, life, short-term and long-term disability insurance, and other group voluntary benefits.
 Period: 07/16 to 06/17
 Project costs: \$1,610 for FY 17.
 Annual Village contributions: The amount includes \$500 annual participation fee, any applicable gross receipts taxes and which amount shall constitute and complete compensation for the Entity's participation
 Audit responsibility: City of Albuquerque
 Fiscal agent: City of Albuquerque

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VILLAGE OF BOSQUE FARMS
Schedule of Special, Deficiency and Capital Outlay Appropriations
June 30, 2017

Severance Tax Bonds Outstanding

Description	Appropriation Title	Appropriation #	Beginning Date	Ending Date	Original Amount	Funds Expended	Funds Remaining	Funds Reverted
Laws 2013, Chapter 226, Section 31	Bosque Farms Tennis Courts Rehab	13-L-1807	7/23/2013	6/30/2017	\$ 70,000	68,606	1,394	1,394
Laws 2014, Chapter 66, Section 22	Bosque Farms Village Office Renovate	14-L-2021	9/9/2014	6/30/2018	75,000	75,000	-	-
Laws 2014, Chapter 66, Section 16	Bosque Farms Water Storage Tanks Rehab	14-1722-STB	10/27/2014	6/30/2018	286,000	286,000	-	-
Laws 2015, Chapter 3, Section 28	Bosque Farms Little League Fields & Playground Improvement	15-L-0886	8/11/2016	6/30/2019	75,000	75,000	-	-
Laws 2013, Chapter 226, Section 23	Bosque Farms Water Systems Matters	13-1521	7/23/2013	6/30/2017	300,000	299,999	1	1

Unexpended balances will be earned when all grant requirements have been met.

The funds remaining are encumbered.

COMPLIANCE SECTION

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 *GOVERNMENT AUDITING STANDARDS*

Mayor and Village Council
Village of Bosque Farms
Bosque Farms, New Mexico
and
Wayne A. Johnson
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major capital project fund of the Village of Bosque Farms, State of New Mexico (Village), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and the combining and individual funds of the Village, presented as supplemental information, and have issued our report thereon dated December 14, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we did identify a deficiency in internal control that we consider to be a material weakness, identified as 2017-002.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying *Schedule of Findings and Responses*, as item 2017-001.

Village of Bosque Farms, New Mexico's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Burt & Company CPAs, LLC

December 14, 2017

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Summary Schedule of Findings and Responses
June 30, 2017

Prior Year Findings

None.

Current Year Findings

2017-001 Controls Over Outside Employment

2017-002 Contracts Compliance and Adjustments to the Financial Statements

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Findings and Responses
For the Year Ended June 30, 2017

2017-001 Controls Over Outside Employment – Other noncompliance

Condition: During testing of compliance with the Governmental Conduct Act the Village has the following deficiencies:

- The Village Personnel Manual requires documentation of express written permission of the Village Clerk/Administrator for each position of outside employment and the Village Clerk/Administrator shall make specific determinations as directed in the manual. This approval document will be placed in the employee's personnel file. The approval document in the employee's personnel file is dated after the employee engaged in outside employment and does not have evidence of the specific determinations.
- An employee used Village vehicles to attend private interest outside employment, and used Village work time to serve in the outside private interest employment which is a violation of the Governmental Conduct Act.

Criteria: The Village Personnel Manual, 6.4. CONFLICTS, b. Outside Employment, "requires each employee to obtain the express written permission of the Village Clerk/Administrator to whom the employee reports for each position of outside employment. It further describes specific determinations that must be made by the Village Clerk/Administrator with respect to the outside employment. The Governmental Conduct Act 10-16-3 Ethical principles of public service; certain official acts prohibited; penalty, requires public employees to "use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests."

Effect: The Village is not in compliance with its Personnel Manual and not in compliance with the Governmental Conduct Act with respect to the employee's outside employment.

Cause: The Village did not follow its Personnel Manual nor did it follow the Governmental Conduct Act with respect to the employee's outside employment.

Recommendation: The Village should follow its Personnel Manual and the Governmental Conduct Act with respect to employee's outside employment.

Response: The Village has corrected the issue including the specific determinations and has reviewed its policies and procedures and made modifications to ensure timely approval of outside employment and will adhere to policies regarding use of Village resources. The Village Clerk/Administrator will ensure compliance going forward.

2017-002 Contracts Compliance and Adjustments to the Financial Statements – Material Weakness

Condition: During testing of grants and compliance with grant provisions the following deficiencies were noted:

- The Village continued to expend the funds for a grant which expired in June 30, 2016. As of June 30, 2017, \$29,457 in grant funds remain unspent under the grant.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Schedule of Findings and Responses
For the Year Ended June 30, 2017

- For a grant which expired in December 31, 2016, the Village used expenditures outside of the grant period as matching funds which is a violation of the grant agreement. As of December 31, 2016, \$11,441 in matching funds remain unspent under the grant, but as of June 30, 2017, all matching funds were spent under the grant.

- Material adjustments were made to the current year and the prior period financial statements

Criteria: The respective grant documents have provisions governing the expenditure of funds for the project during the project period. The grant documents also have provisions governing the expenditures used as matching funds during the project period. According to AU Section 325, Communicating Internal Control Related Matters Identified in an Audit, Paragraph .15, indicators of material weaknesses in internal control include identification by the auditor of a material misstatement of the financial statements under audit.

Effect: The Village is not in compliance with the grant agreements and material misstatements to the financial statements under audit were not identified and did not have sufficient internal controls over the financial statements to identify material misstatements

Cause: The Village did not follow the grant agreements with respect to the period of use of funds or matching funds.

Recommendation: It appears that the expenditures and the matching expenditures under these grant agreements were used for the purpose intended under the agreement, the Village should follow the grant agreements with respect to the period of use of funds and matching funds and should develop sufficient internal controls over the financial statements to identify material misstatements.

Response: The Village experienced a turnover in the engineers with Molzen-Corbin. This caused a significant delay in getting plans and specifications. The Village moved forward with the project once plans and specifications were completed and the project had been properly advertised for bid. The Village Clerk/Administrator will perform periodic reviews for compliance with grant documents and related contract accounting and will fully implement this procedure in FY18.

STATE OF NEW MEXICO
VILLAGE OF BOSQUE FARMS
Other Disclosures
For the Year Ended June 30, 2017

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The accompanying financial statements are the responsibility of the Village and are based on information from the Village's financial records. Assistance was provided by Burt & Company CPAs, LLC to the Village in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report were disclosed at an exit conference that was held on December 14, 2017. The following individuals were in attendance.

Village of Bosque Farms Officials

Wayne Ake, Mayor
Russell W. Walkup, Mayor Pro-Tem
Gayle Jones, Village Administrator
Michelle Fryhover, Treasurer

Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Audit Partner