

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT

Annual Financial Report  
For the Year Ended June 30, 2017

## **INTRODUCTORY SECTION**

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
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June 30, 2017

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STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Official Roster  
For the Fiscal Year Ended June 30, 2017

**Name**

**Title**

Tax Increment Development District Board

Neal King	Chair
Stephanie Schardin-Clarke	Vice-Chair
Chaz Rockey	Board Member/Co-Treasurer
Nancy Grabowski	Co-Treasurer/Non-Voting
Richard Duffy	Board Member
Thomas Wittman	Board Member

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Timothy Keller, State Auditor  
and  
The Governing Board and Management of  
Village of Taos Ski Valley Tax Increment Development District  
Taos Ski Valley, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Village of Taos Ski Valley Tax Increment Development District, New Mexico (the "TIDD"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the TIDD'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 auditors' 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 major fund, and the respective budgetary comparison for the general fund of the TIDD, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4-7 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***


Our audit was conducted for the purpose of forming opinions on the financial statements and budgetary comparison that collectively comprise the TIDD's basic financial statements. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other 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 other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 on our consideration of the TIDD'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

Tim Keller, State Auditor and  
Village of Taos Ski Valley  
Tax Increment Development District  
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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 the TIDD's internal control over financial reporting and compliance.

  
Burt & Company CPAs, LLC

November 22, 2017



STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

As management of the Village of Taos Ski Valley Tax Increment Development District (the "TIDD"), we offer readers of the TIDD's financial statements this narrative overview and analysis of the financial activities of the TIDD for the fiscal year ending June 30, 2017. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

The TIDD is a political subdivision of the State of New Mexico duly created and existing pursuant to Tax Increment for Development Act (the "Act"), Sections 5-15-1 through 5-15-28 NMSA 1978, as amended and Village of Taos Ski Valley (the "Village") Resolution No. 2015-274.

The TIDD is governed by the TIDD Board, consisting of five voting members and nonvoting member. The Board has control over and management supervision of all affairs of the TIDD.

The purpose of the TIDD, pursuant to the Resolution of the Village that formed the TIDD, is to provide financing of the infrastructure improvements set forth in the Tax Increment Development Plan that was approved by the Village as required pursuant to the Act and the Master Development Agreement among the TIDD, the Village and the developer, Taos Ski Valley, Inc. as agent for Twining Development, LLC and Santander Holdings, LLC.

*Financial Highlights*

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2017 as follows:

- In the Statement of Net Position, the TIDD's total net position as of June 30, 2017 amounted to \$3,737,260.
- In the Statement of Activities, the Gross receipts tax increment amounted to \$1,546,905, ad valorem amounted to \$65,072.
- In the Statement of Activities, the TIDD's expenses were \$15,371. The primary expenses of the TIDD are for administrative expenses.

*Overview of Financial Statements*

This discussion and analysis is intended to serve as an introduction to the TIDD's basic financial statements. The TIDD's basic financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the TIDD's finances in a manner similar to a private sector business.

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Management's Discussion and Analysis  
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(Unaudited)

The statement of net position presents information on all of the TIDD's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TIDD is improving or deteriorating.

The statement of activities presents information showing how the TIDD's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the TIDD's activities are presented in the following category:

**Governmental activities** – Governmental activities include the TIDD's basic activities for the construction of certain public infrastructure improvements as provided in the Act and the governing documents of the TIDD, including the Master Development Agreement among the TIDD, the developer and the Village.

In the fund financial statements, a fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TIDD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the TIDD's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations are on pages 11 and 13, respectively.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 15 of these financial statements.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2017  
(Unaudited)

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a TIDD's financial position. The TIDD's assets exceed liabilities by \$3,737,260 as of June 30, 2017. This represents an increase in the current year at \$1,607,243 primarily due to the Gross Receipts Tax Increment.

The TIDD was formed, and may reimburse the developer, for the design and construction of infrastructure (consisting of streets, drainage, landscaping, water and wastewater improvements, gas line and other improvements). Overall activities in the current year are similar to those in the prior year as the TIDD is new and currently accumulating assets to reimburse for expenditures in future years.

The following table presents the condensed net position as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 3,738,789	2,130,017
Current Liabilities	<u>1,529</u>	<u>-</u>
Net Position	\$ <u>3,737,260</u>	<u>2,130,017</u>

**Changes in net position.** The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Expenses</b>		
General government	\$ 15,371	1,262
Public Works	<u>-</u>	<u>-</u>
<b>Total expenses</b>	<u>15,371</u>	<u>1,262</u>
<b>General revenues</b>		
Gross receipts tax increment	1,546,905	2,131,114
Ad valorem tax increment	65,072	-
Interest income	<u>10,637</u>	<u>165</u>
<b>Total general revenues</b>	<u>1,622,614</u>	<u>2,131,279</u>
Change in net position	\$ <u>1,607,243</u>	<u>2,130,017</u>

**Financial Analysis of the Government's Funds**

The TIDD's revenues in the governmental fund amounted to \$1,622,614 while expenditures amounted to \$15,371. The major expenditures of the TIDD are administrative expenditures.

The TIDD's main sources of revenues for the fiscal year ended June 30, 2017 were gross receipts tax increment. The Village of Taos Ski Valley has dedicated 75% of its gross receipts tax increment and the

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Management's Discussion and Analysis  
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state of New Mexico dedicated 50% of the state's portion of gross receipts tax increment. As this TIDD is new and is just starting, it is not possible at this time to determine what effect it will have on commercial activities within the TIDD.

**General Fund Budgetary Highlights**

The TIDD adopts an annual budget, which projects the expected expenditures (based on administrative expenses and construction expenditure reimbursement) and the estimated gross receipts tax increments for each year. There were no changes in the original budget for the fiscal year 2017.

**Capital Assets and Debt Administration**

The TIDD owns no significant capital assets as of June 30, 2017. It is anticipated that the TIDD will not, in the future, own any capital assets. The capital improvements completed by the developer that are to be financed by the TIDD are all to be dedicated to the Village. It is anticipated that all dedications will be done by the developer directly to the Village, on behalf of the TIDD.

The TIDD has no debt as of June 30, 2017.

**Requests for Information**

This narrative overview and analysis of the financial activities of the TIDD for the fiscal year ending June 30, 2017 is designed to give its readers a general overview of the TIDD's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Co-Treasurer of the Village of Taos Ski Valley Tax Increment Development District, Nancy Grabowski, Village of Taos Ski Valley, P.O. Box 100, 7 Firehouse Rd., Taos Ski Valley, New Mexico, 87525.

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 478,754
Investments	3,260,035
Taxes receivable	-
<b>Total assets</b>	\$ 3,738,789
 <b>Liabilities</b>	
Accounts Payable	\$ 1,529
<b>Total liabilities</b>	1,529
 <b>Net position</b>	
Unrestricted	3,737,260
<b>Total net position</b>	3,737,260
<b>Total Liabilities and Net Position</b>	\$ 3,738,789

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

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Statement of Activities  
For The Year Ended June 30, 2017

	Expenses	Government Activities
<b>Primary government</b>		
General government	\$ 15,371	(15,371)
Public works	-	-
 Total	 \$ 15,371	 (15,371)
 <b>General revenues:</b>		
Taxes		
Gross receipts taxes		1,546,905
Ad Valorem		65,072
Interest income		10,637
Miscellaneous income		-
 Total general revenues		 1,622,614
 Changes in net position		 1,607,243
 Net position, beginning		 2,130,017
 Net position, ending		 \$ 3,737,260

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

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Balance Sheet – Governmental Fund  
June 30, 2017

	<u>General Fund</u>
<b>Assets and Deferred Outflows of Resources</b>	
Assets	
Cash and cash equivalents	\$ 478,754
Investments	3,260,035
Taxes receivable	-
Total assets	3,738,789
Deferred outflows of resources	
Post measurement date contributions	-
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 3,738,789
<b>Liabilities, Deferred In-Flows of Resources, and Fund Balances</b>	
Liabilities	
Accounts payable	\$ 1,529
Unearned revenue	-
Total liabilities	1,529
Deferred in-flows of resources	
Unavailable revenue	-
Total deferred inflows of resources	-
Fund balances	
Restricted	-
Committed	-
Assigned	-
Unassigned	3,737,260
Total fund balances	3,737,260
Total liabilities, deferred Inflows of resources, and fund balances	\$ 3,738,789

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

STATE OF NEW MEXICO  
 VILLAGE OF TAOS SKI VALLEY  
 TAX INCREMENT DEVELOPMENT DISTRICT  
 Reconciliation of the Balance Sheet – Governmental Fund  
 To the Statement of Net Position  
 June 30, 2017

Fund Balances - Total governmental funds	\$	3,737,260
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Amounts reported for governmental activities in the statements of net position are different because:

A portion of receivables reported in the Statement of Net Position are not currently available in the fund		-
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<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>3,737,260</u></b>
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The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Statement of Revenues, Expenditures, and Change in Fund Balance -  
Governmental Fund  
For The Year Ended June 30, 2017

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes:	
Gross receipts taxes	\$ 1,546,905
Ad Valorem	65,072
Investment income	10,637
Miscellaneous	-
<b>Total revenues</b>	<b>1,622,614</b>
<b>Expenditures:</b>	
Current:	
General government	15,371
<b>Total expenditures</b>	<b>15,371</b>
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>1,607,243</b>
<b>Other financing sources (uses)</b>	
Transfers in	-
Transfers (out)	-
<b>Total other financing sources (uses)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>1,607,243</b>
Fund balance - Beginning of year	2,130,017
<b>Fund balance - End of year</b>	<b>\$ 3,737,260</b>

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

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance  
of Governmental Fund to the Statement of Activities  
For The Year Ended June 30, 2017

Net change in fund balances - Total governmental funds	\$	1,607,243
Amounts reported for governmental activities in the statement of activities are different because:		
Proceed from bond issuance are not reported as income in the statement of activities		-
The repayment of short-term debt consumes the current financial resources of the governmental funds. This has no effect on net position.		-
Gross receipts taxes that are not recognized in the fund balance		-
		-
Change in net position of governmental activities	\$	1,607,243

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

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual: General Fund  
For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>				
Gross receipts tax	\$ 2,351,000	2,351,000	2,181,359	(169,641)
Ad Valorem Tax	91,000	91,000	65,072	(25,928)
Interest income	3,000	3,000	10,637	7,637
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>2,445,000</u>	<u>2,445,000</u>	<u>2,257,068</u>	<u>(187,932)</u>
<b>Expenditures:</b>				
Current:				
General government	<u>3,398,000</u>	<u>3,398,000</u>	<u>13,842</u>	<u>3,384,158</u>
<b>Total expenditures</b>	<u>3,398,000</u>	<u>3,398,000</u>	<u>13,842</u>	<u>3,384,158</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(953,000)	(953,000)	2,243,226	3,196,226
Cash balance - Budget basis	1,495,563	1,495,563	-	(1,495,563)
Fund balance - Beginning of year	<u>-</u>	<u>-</u>	<u>2,130,017</u>	<u>2,130,017</u>
<b>Fund balance - End of year</b>	\$ <u>542,563</u>	<u>542,563</u>	4,373,243	<u>3,830,680</u>
<b>Reconcile</b>				
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for receivables			(634,454)	
Adjustments to expenses for payables			<u>(1,529)</u>	
<b>Net change in fund balances (GAAP Basis)</b>			\$ <u>1,607,243</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Notes to Financial Statements  
June 30, 2017

1. Reporting Entity

The Tax Increment Development District (the TIDD) is a political subdivision of the State of New Mexico duly created and existing pursuant to the Tax Increment for Development Act (the “Act”), Sections 5-15-1 through 5-15-28 NMSA 1978, as amended, and Village of Taos Ski Valley (the “Village”) Resolution No. 2015-274.

The purpose of the TIDD, pursuant to the Resolution of the Village that formed the TIDD, is to provide financing of the infrastructure improvements set forth in the Tax Increment Development Plan that was approved by the Village as required pursuant to the Act and the Master Development Agreement among the TIDD, the Village and the developer, Taos Ski Valley, Inc. as an agent for Twining Development, LLC and Santander Holdings, LLC.

GASB Statement No. 61 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the TIDD is considered a *primary* government, since it is a special-purpose government that has a separately appointed body, is legally separate, and is fiscally independent of other state or local government. As used in GASB Statement No. 61, fiscally independent means that the TIDD may, without the approval or consent of another government entity, determine or modify its own budget, levy its own taxes or set rates or change, and issue bonded debt. The TIDD has no component units as defined by GASB Statement No. 61. There are no other primary governments with which the TIDD has a significant relationship.

The TIDD is governed by the TIDD Board, consisting of five voting members and a nonvoting member. The Board has control over and management supervision of all affairs of the TIDD.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the TIDD is presented to assist in the understanding of the TIDD’s financial statements. The financial statements and notes are the representation of the TIDD’s management who is responsible for their integrity and objectivity. The financial statements of the TIDD have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the TIDD’s accounting policies are described below.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government.

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Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

A. Government-Wide and Fund Financial Statements (continued)

*Governmental activities* are those which normally are supported by taxes and intergovernmental revenues.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Direct revenues* include gross receipts taxes as well as interest income from the investment of funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

Governmental fund 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available, net of uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental funds are used to account for the TIDD's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general governments, except those required to be accounted for in another fund. Revenues are provided through taxes, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the TIDD except for items included in other funds.

Under the requirements of GASB No. 34, the TIDD is required to present certain of its governmental funds as major based upon certain criteria. The major fund presented in the fund financial statements include only the General Fund. No other funds were required to be presented as major at the discretion of management.

*General Fund* – The TIDD's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through gross receipts taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues reduce the costs of the function to be financed from the TIDD's general revenues. Amounts reported as *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*. 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 needed.

The TIDD reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The TIDD does not currently employ indirect cost allocation systems.

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
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Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, and Net Position or Equity

**Deposits and Investments:** The TIDD's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition. State statutes authorize the TIDD to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the TIDD are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables:** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Capital Assets:** As capital assets are constructed, the ownership will be transferred to the Village. As a result, the TIDD does not capitalize any capital assets on its financial statements.

**Net Position of Fund Equity:** Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or office whom the governing body has delegated.

Restricted fund balance represents amounts with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that has not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

**Interfund Transactions:** As there was only one governmental fund during the fiscal year, there were no interfund transactions (transfers/due to/from) with other governmental funds. If in the future, there are interfund transactions between governmental funds, they will be recorded as other financing sources (uses) for transfers and assets/liabilities for due from/to, respectively.

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June 30, 2017

2. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, and Net Position or Equity (continued)

**Estimates:** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Gross Receipts Tax Increment:** The TIDD's main source of revenue for the fiscal year ended June 30, 2017 has been gross receipts tax increment. Various public entities have pledged gross receipts tax increment to the TIDD. The Village dedicated 75% of its gross receipts tax increment. The New Mexico State Board of Finance, on behalf of the state of New Mexico, dedicated 50% of the state's portion of gross receipts tax increment. Given that prior to the formation of the TIDD there was no significant commercial activity within the TIDD, most all commercial activities currently attributable to the TIDD have generated gross receipts tax increment. The gross receipts tax increment is assessed on a monthly basis and distributed to the TIDD in the same manner as distributions are made under the provisions of the State Tax Administration Act.

**Property Tax Increment:** In addition to gross receipts tax increment, the Village and County of Taos, New Mexico jurisdictions dedicated property tax increment of 75% and 35%, respectively. Assessments of property taxes are made by Taos County as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The Special Levy Installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11.

3. Stewardship, Compliance, and Accountability

*Budgetary Information*

Annual budgets of the TIDD are prepared prior to June 1 and must be approved by the TIDD Board by resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the TIDD Board and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has not been amended.



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3. Stewardship, Compliance, and Accountability (continued)

Formal budgetary integration is employed as a management control device during the year for the General Fund. The TIDD is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changed in cash designated for expenditures, not as an excess or deficiency of revenue over expenditures. The TIDD Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The legal compliance for the budget is total expenditures.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparison of the legally adopted budget with the actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented as part of the budgetary statements.

4. Deposits and Investments

State statutes authorize the investment of TIDD funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the TIDD properly followed State investment requirements as of June 30, 2017.

Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked priced on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State of New Mexico or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TIDD has an interest bearing account.

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4. Deposits and Investments (continued)

NM State Statutes required collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the TIDD for at least one half the amount in excess of FDIC coverage on deposit with the institution.

**Reconciliation of Cash and Temporary Investments**

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the TIDD's deposits.

Carrying amounts by fund per financial statement at June 30, 2017 is:

Type	Peoples Bank	Citizen's Bank	First Virginia Community Bank	Cambridge Savings Bank	Bank of California NA	Citizen Bank of PA	Southside Bank	Total
General checking CD's, interest bearing	\$ 2,238,789	-	-	-	-	-	-	2,238,789
CD's and Money Market, interest bearing	-	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
<b>Total deposits</b>	<b>2,238,789</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>3,738,789</b>
Less: SPIC Coverage	-	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,500,000)
Less: FDIC Coverage	(250,000)	-	-	-	-	-	-	(250,000)
<b>Total uninsured public funds</b>	<b>1,988,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,988,789</b>
50% Collateral requirement	994,395	-	-	-	-	-	-	994,395
Pledged securities	979,506	-	-	-	-	-	-	979,506
(Over) Under collateralized risk-deposits	14,889	-	-	-	-	-	-	14,889
Uninsured and uncollateralized	1,009,283	-	-	-	-	-	-	1,009,283
<b>Total deposits</b>	<b>\$ 2,238,789</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>3,738,789</b>

*Custodial Credit Risk- Bank.* Is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$1,009,284 of the TIDD's bank balance of \$3,738,789 was exposed to custodial credit risk.

The collateral pledged is listed on schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, district or political subdivision of the State of New Mexico.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of counterparty, the TIDD will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The TIDD does not have an invest-

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Notes to Financial Statements  
June 30, 2017

4. Deposits and Investments (continued)

ment policy for custodial credit risk. The TIDD's investments are in certificates of deposits. The custodial credit risk for the certificates of deposits is contemplated in *custodial risk – cash*.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

5. Receivables

As of June 30, 2017, the TIDD had no receivables.

6. Other Required Individual Fund Disclosures

Generally accepted accounting principles in the United States of America require disclosures as part of the Combining Statements – Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.

None

B. No expenditures exceeded appropriations by fund.

7. Contingent Liabilities

The TIDD is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omission and natural disasters. The TIDD is not insured through private carriers for liability, casualty and director and office liability.

8. Tax Abatements

The TIDD negotiated Gross Receipts and Ad Valorem tax abatement agreements with various entities. The TIDD has tax abatement agreements with three entities relating to four different abatements as of June 30, 2017.

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Notes to Financial Statements  
June 30, 2017

8. Tax Abatements (continued)

<u>Tax Abatement Program</u>	<u>Peoples Bank</u>	<u>Peoples Bank LPL Finacial</u>
Village of Taos Ski Valley - GRT	\$ 839,275	75.00 %
Village of Taos Ski Valley - Ad Valorem	41,998	75.00 %
Taos County - Ad Valorem	23,074	35.00 %
State of New Mexico - GRT	<u>707,630</u>	50.00 %
Total tax abatements	\$ <u>1,611,977</u>	

Each of these agreements was negotiated under state and local laws and have been passed by legislation or resolution as applicable. Including the New Mexico Tax Increment for Development Act, Sections 5-15-1 through 5-15-28 NMSA 1978, as amended. The eligibility criteria is for the entity to provide for financing of the infrastructure improvements as set forth in the Tax Increment Development Plan. The state law does not provide for the recapture of abated taxes in the event an abatement recipient does not fulfill the commitment it makes in return for the tax abatement.

9. Recent and New Accounting Pronouncements

The TIDD had adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, during fiscal year 2017 with no significant impact of the TIDD's financial statement.

The TIDD had adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during fiscal year 2017 with no significant impact of the TIDD's financial statement.

The TIDD had adopted GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, during fiscal year 2017 with no significant impact of the TIDD's financial statement.

The TIDD had adopted GASB Statement No. 77, *Tax Abatement Disclosures* during fiscal year 2017. The impact is disclosed in Note 8 financial statements.

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9. Recent and New Accounting Pronouncements (continued)

GASB Statement No. 78, *Pension provided through certain multiple-employer defined benefit pension plans* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 81, *Irrevocable split interest agreements* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 83, *Certain asset retirement obligations* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 84, *Fiduciary activities* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 85, *OMNIBUS 2017* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 86, *Certain debt extinguishment issues* has been issued, but is not yet effective at June 30, 2017.

GASB Statement 87, *Leases* has been issued, but is not yet effective at June 30, 2017.

The TIDD will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The TIDD believes that the above listed new GASB pronouncements will not have a significant financial impact to the TIDD or in issuing its financial statements.

10. Memorandums of Understanding

**The Pattison Trust and Lake Fork Creek Holdings, LLC, Properties**

*Purpose:* The agreement is for the sole purpose of clarifying what is to be included within the ad valorem tax boundaries of the TIDD related to the Pattison Trust and Lake Fork Creek Holdings, LLC, properties.

*Participants:* TIDD and the Village of Taos Ski Valley.

*Responsible Party for Operation and Audit:* TIDD.

*Beginning and Ending Date of Agreement:* Started January 14, 2016 and is indefinite.

*Total Estimated Amount of Project and Actual Amount Contributed:* None.

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Notes to Financial Statements  
June 30, 2017

11. Related Party Transactions

At year end the TIDD owed \$1,529 to the Village of Taos Ski Valley for services performed by VTSV employees. The Village clerk and finance director provided various identifiable services from January through June 2017.

12. Subsequent Events

The TIDD has evaluated subsequent events through November 22, 2017, the date of the Auditors' Report. In the opinion of management, no events occurring after June 30, 2017, require adjustment or disclosure to the financial statements.

## **SUPPORTING SCHEDULES**

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
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Schedule of Cash and Investment Accounts  
June 30, 2017

<u>Bank Account Type/Name</u>	<u>Peoples Bank- LPL Financial</u>	<u>Peoples Bank</u>	<u>Total</u>
Checking - General, interest bearing	\$ -	478,754	478,754
CD's and Money Market, interest bearing	<u>3,260,035</u>	<u>-</u>	<u>3,260,035</u>
Total on deposit	3,260,035	478,754	3,738,789
Reconciling items	<u>-</u>	<u>-</u>	<u>-</u>
Reconciled balance	\$ <u>3,260,035</u>	<u>478,754</u>	3,738,789
Total June 30, 2017		\$ <u>3,738,789</u>	

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



STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
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Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2017

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2017</u>	<u>Name and Location of Safe Keeper</u>
Peoples Bank	Federal Home Loan Mortgage Corporation Cusip 31394JKA4, 5.5% 6/1/2033	\$ 269,963	UMB Bank Kansas City, MO
Peoples Bank	Federal Home Loan Mortgage Corporation Cusip 31394JKA4, 5.5% 6/1/2033	179,975	UMB Bank Kansas City, MO
Peoples Bank	Federal Home Loan Mortgage Corporation Cusip 31398JHC0, 5.0% 6/1/2039	529,568	UMB Bank Kansas City, MO
		<u>\$ 979,506</u>	

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

**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*

Timothy Keller, State Auditor  
and  
The Governing Board and Management of  
Village of Taos Ski Valley Tax Increment Development District  
Taos Ski Valley, New Mexico

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 major fund, and the budgetary comparison of the General fund of the Village of Taos Ski Valley Tax Increment Development District (the "TIDD") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the TIDD's basic financial statements, and have issued our report thereon dated November 22, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the TIDD's internal control over financial reporting to determine the auditing 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 TIDD's internal control. Accordingly, we do not express an opinion on the effectiveness of the TIDD's internal control.

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

Our consideration of the internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

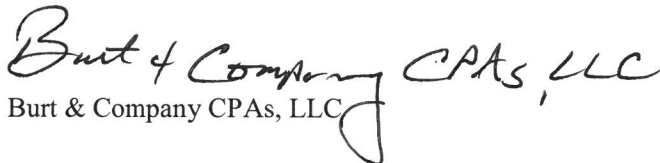
As part of obtaining reasonable assurance about whether the TIDD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

**The TIDD's Response to Finding**

The TIDD's responses to findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The TIDD'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 result of that testing, and not to provide an opinion on the effectiveness of the TIDD'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

November 22, 2017

STATE OF NEW MEXICO  
VILLAGE OF TAOS SKI VALLEY  
TAX INCREMENT DEVELOPMENT DISTRICT  
Schedule of Findings and Responses  
June 30, 2017

**A. FINDINGS-FINANCIAL STATEMENT AUDIT**

**Current Year Findings:**

**2017-001 Noncompliance with Governmental Conduct Act**

Condition: During the audit, we noted the following exceptions related to compliance with Chapter 10, Article 16, Section 4.2 NMSA 1978 (Governmental Conduct Act). The Village of Taos Ski Valley Tax Increment Development District did not have a formal policy requiring all elected and appointed officials to file outside employment disclosures and did not have them on file for the respective individuals as of June 30, 2017.

Criteria: Chapter 10, Article 16, Section 4.2 NMSA 1978 states: “A public officer or employee shall disclose in writing to the officer’s or employee’s respective office or employer all employment engaged in by the officer or employee other than the employment with or service to a state agency or local government agency”.

Cause: The Village of Taos Ski Valley Tax Increment Development District did not require this when it was formed.

Effect: The Village of Taos Ski Valley Tax Increment Development District was not in compliance with the Governmental Conduct Act.

Recommendation: At the beginning of each calendar year, the entity should obtain new forms for all officers and employees regarding outside employment.

Client Response: After Village of Taos Ski Valley Tax Increment Development District was made aware of this, they passed Resolution 2018-14 requiring these disclosures and have obtained the disclosures for all applicable individuals.

**B. PRIOR YEAR AUDIT FINDINGS**

None

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Other Disclosures  
June 30, 2017

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

The TIDD has the capability of understanding and accepting responsibility for its own GAAP-basis financial statements, however, the TIDD's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on November 22, 2017. The following individuals were in attendance.

Village of Taos Ski Valley Tax Increment Development District

Neal King, Board Chair

Nancy Grabowski, Co-Treasurer

Mark G. Fratrack, Village of Taos Ski Valley Administrator

Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA

Christopher J. Schmitz, CPA, CGMA (via telephone)