State of New Mexico
Town of Taos
June 30, 2005

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

6170

State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

May 23, 2006

SAO Ref. No. 6170

Honorable Bobby F. Duran, Mayor
and
Members of the Town Council
Town of Taos
400 Camino de la Placita
Taos, NM 87571

SUBJECT: Audit Report—Town of Taos—2004-2005 Fiscal Year—Prepared by Pattillo, Brown & Hill, LLP

Your agency audit report was received by the Office of the State Auditor (Office) on May 10, 2006. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter**. Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and

- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 91 - 93. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Pattillo, Brown & Hill, LLP

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 476-3800 (800) 432-5517 Fax (505) 827-3512
http://www.saonm.org

State of New Mexico
Town of Taos
June 30, 2005

STATE OF NEW MEXICO
TOWN OF TAOS
JUNE 30, 2005

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

STATE OF NEW MEXICO
TOWN OF TAOS
JUNE 30, 2005

TABLE OF CONTENTS
continued)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
TOWN OF TAOS
JUNE 30, 2005

OFFICAL ROSTER

Name	Title
Bobby F. Duran	Mayor
Eugene Sanchez	Council Member
Meliton Struck	Council Member
Frank J. Cruz	Council Member
Erlinda S. Gonzales	Council Member

ADMINISTRATIVE OFFICIALS

Tomas Benavidez	Town Manager
Marietta Fambro	Finance Director

FINANCIAL STATEMENTS SECTION

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Bobby F. Duran, Mayor
Town Council
Town of Taos
Taos, New Mexico
and
Domingo P. Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregated remaining fund information, fiduiciary funds and the budgetary comparison of the General Fund of the Town of Taos, New Mexico as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements, as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the Town of Taos, New Mexico management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, fiduciary funds and the aggregate remaining fund information of the Town of Taos, New Mexico as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, of the Town of Taos, New Mexico as of June 20, 2005 and the respective changes in financial position, cash flows where applicable and the respective budgetary comparisons for each nonmajor governmental fund and enterprise funds, for the year ended in conformity with accounting principles generally accepted in the United States.

4301THE 25 WAY NE ■ ALBUQUERQUE, NM 87109■ (505) 266-5904 ■ FAX: (505) 268-6444 ■ www.pbhcpa.com
AFFILIATE OFFICES: BROWNSVILLE, TX (956) 544-7778 ■ HILLSBORO, TX (254) 582-2583
TEMPLE, TX (254) 791-3460 ■ WACO, TX (254) 772-4901

In accordance with *Government Auditing Standards,* we have also issued our reports dated February 17, 2006, on our consideration of the Town of Taos, New Mexico 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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Taos has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basis financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taos, New Mexico, basic financial statements and for expressing opinions on the combining and individual fund financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organization* and the Schedule of Changes in Assets and Liabilities Agency Funds are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures and Federal Awards and the Schedule of Changes in Assets and Liabilities Agency Funds have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Pattillo, Brown & Hill, LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
February 17, 2006

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	$ 1,285,919	$ 3,202,740	$ 4,488,659
Investments	7,482,504	1,406,001	8,888,505
Receivables (net of allowances for uncollectible)	1,202,606	433,686	1,636,292
Due from other funds	5,548	115,753	121,301
Total current assets	9,976,577	5,158,180	15,134,757
Other assets:			
Restricted cash	-	1,501,784	1,501,784
Total other assets	-	1,501,784	1,501,784
Noncurrent assets:			
Capital assets, net of accumulated depreciation	44,916,121	13,844,802	58,760,923
Total capital assets	44,916,121	13,844,802	58,760,923
Total noncurrent assets	44,916,121	13,844,802	58,760,923
Total assets	$ 54,892,698	$ 20,504,766	$ 75,397,464

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	503,157	289,055	792,212
Accrued expenses	203,742	32,965	236,707
Court bonds	4,658	-	4,658
Due to other funds	18,753	102,548	121,301
Accrued interest payable	44,106	-	44,106
Current portion long term debt	743,000	363,134	1,106,134
Total current liabilities	1,517,416	787,702	2,305,118
Noncurrent liabilities:			
Meter deposits	-	180,873	180,873
Compensated absences	210,266	25,898	236,164
Landfill closure and post closing liability	-	235,575	235,575
Bonds and contracts payable less current portion	2,654,000	4,045,648	6,699,648
Total noncurrent liabilities	2,864,266	4,487,994	7,352,260
Total liabilities	4,381,682	5,275,696	9,657,378
NET ASSETS			
Invested in capital assets, net of related debt	41,475,015	9,995,322	51,470,337
Restricted for:			
Debt service	3,978,516	816,167	4,794,683
Swimming pool	14,633	-	14,633
Capital projects	833,604	-	833,604
Unrestricted	4,209,248	4,417,581	8,626,829
Total net assets	$ 50,511,016	$ 15,229,070	$ 65,740,086

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 5,022,155	$ 576,711	$ 495,170	$ 1,126,912
Public safety	3,089,775	421,584	431,630	547,000
Highway and streets	1,104,006	-	344,813	91,078
Culture and recreation	5,343,398	260,035	43,251	133,096
Interest and fees on long-term debt	171,517	-	-	-
Total governmental activities	14,730,851	1,258,330	1,314,864	1,898,086
Business-type activities:				
Water and sewer	2,268,563	2,000,418	-	443,507
Solid waste	999,909	980,484	-	-
Landfill	602,794	1,137,758	-	-
Interest and fees on long-term debt	189,185	-	-	-
Total business-type activities	4,060,451	4,118,660	-	443,507
Total primary government	$ 18,791,302	$ 5,376,990	$ 1,314,864	$ 2,341,593

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - State shared
  - Sales
  - Lodgers
  - Franchise
- Investment earnings
- Loss on disposition of assets
- Miscellaneous

Total general revenues, special items, and transfers

Change in net assets

Net assets, beginning

Net assets, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$(2,823,362)	$ -	$(2,823,362)
(1,689,561)	-	(1,689,561)
(668,115)	-	(668,115)
(4,907,016)	-	(4,907,016)
(171,517)	-	(171,517)
(10,259,571)	-	(10,259,571)
-	175,362	175,362
-	(19,425)	(19,425)
-	534,964	534,964
-	(189,185)	(189,185)
-	501,716	501,716
(10,259,571)	501,716	(9,757,855)
500,449	-	500,449
85,264	-	85,264
9,057,057	-	9,057,057
883,147	-	883,147
333,299	-	333,299
180,094	26,581	206,675
(839)	-	(839)
13,530	780,555	794,085
11,052,001	807,136	11,859,137
792,430	1,308,852	2,101,282
49,718,586	13,920,218	63,638,804
$ 50,511,016	$ 15,229,070	$ 65,740,086

STATE OF NEW MEXICO
TOWN OF TAOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 409,939	$ 875,980	$ 1,285,919
Investments	2,693,082	4,789,422	7,482,504
Accounts receivable	689,246	513,360	1,202,606
Due from other funds	5,548	-	5,548
Total assets	$ 3,797,815	$ 6,178,762	$ 9,976,577
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 162,769	$ 340,388	$ 503,157
Accrued expenses	169,770	33,972	203,742
Court bonds payable	4,658	-	4,658
Due to other funds	18,753	-	18,753
Total liabilities	355,950	374,360	730,310
Fund balances:			
Reserved for:			
Special revenue-swimming pool	-	14,633	14,633
Debt service	-	833,604	833,604
Capital projects	-	3,978,516	3,978,516
Unreserved, undesignated reported in:			
General fund	3,441,865	-	3,441,865
Special revenue funds	-	977,649	977,649
Total fund balances	3,441,865	5,804,402	9,246,267
Total liabilities and fund balances	$ 3,797,815	$ 6,178,762	

Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,651,372)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,916,121
Net assets of governmental activities	$ 50,511,016

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 4,232,642	$ 2,423,470	$ 6,656,112
Licenses and permits	270,083	-	270,083
Intergovernmental	40,550	3,428,046	3,468,596
Fines and forfeitures	138,145	100,167	238,312
Charges for services	308,874	59,830	368,704
State shared gross receipts taxes	4,085,753	-	4,085,753
State shared gasoline taxes	117,351	-	117,351
Miscellaneous	201,121	118,088	319,209
Total revenues	9,394,519	6,129,601	15,524,120
EXPENDITURES			
Current operations:			
General government	3,545,356	625,793	4,171,149
Public safety	2,030,471	723,489	2,753,960
Highways and streets	834,480	-	834,480
Culture and recreation	1,469,864	2,539,594	4,009,458
Debt service:			
Principal	-	913,000	913,000
Interest & fiscal charges	-	175,660	175,660
Capital outlay:	80,414	3,476,414	3,556,828
Total expenditures	7,960,585	8,453,950	16,414,535
Excess (deficiency) of revenues over expenditures	1,433,934	(2,324,349)	(890,415)
Other financing sources (uses):			
Transfers in (out)	(2,255,937)	2,255,937	-
Total other financing sources (uses)	(2,255,937)	2,255,937	-
Net change in fund balances	(822,003)	(68,412)	(890,415)
Fund balances, beginning of year	4,263,868	5,872,814	10,136,682
Fund balances, end of year	$ 3,441,865	$ 5,804,402	$ 9,246,267

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$(890,415)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	800,872
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds	913,000
The net effect of various miscellaneous transactions involving capital assets is a decrease to net assets.	(839)
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.	(30,188)
Change in net assets of governmental activities	$ 792,430

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	8,081,420	8,081,420	8,498,660	$ 417,240
Licenses and permits	234,814	234,814	270,083	35,269
Intergovernmental	35,000	35,000	40,550	5,550
Fines and forfeitures	153,731	153,731	138,145	(15,586)
Charges for services	310,147	310,147	308,874	(1,273)
Miscellaneous	272,326	274,819	202,252	(72,567)
Total revenues	9,087,438	9,089,931	9,458,564	368,633
EXPENDITURES				
General Government:				
Town council				
Personal services	180,090	182,766	182,763	3
Operating expenses	661,303	658,627	504,880	153,747
Total town council	841,393	841,393	687,643	153,750
Executive				
Personal services	98,017	464,019	440,389	23,630
Operating expenses	482,960	107,008	93,884	13,124
Capital outlay	11,000	11,000	4,552	6,448
Total executive	591,977	582,027	538,825	43,202
Finance				
Personal services	313,369	394,529	384,423	10,106
Operating expenses	361,736	305,423	278,814	26,609
Capital outlay	5,000	4,375	4,375	-
Total finance	680,105	704,327	667,612	36,715
Planning and development				
Personal services	401,081	377,915	352,749	25,166
Operating expenses	168,818	191,984	158,996	32,988
Capital outlay	15,000	15,000	12,499	2,501
Total planning and development	584,899	584,899	524,244	60,655

The notes to the financial statements are an integral part of this statement.

(continued)

STATE OF NEW MEXICO
TOWN OF TAOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
(continued)
FOR THE YEAR ENDED JUNE 30, 2005

Communications bureau				
Personal services	139,875	246,130	245,500	630
Operating expenses	230,806	140,875	136,283	4,592
Capital outlay	7,000	7,000	4,675	2,325
Total communications bureau	377,681	394,005	386,458	7,547
Fleet maintenance				
Personal services	137,752	136,145	123,816	12,329
Operating expenses	75,001	76,608	75,040	1,568
Total fleet maintenance	212,753	212,753	198,856	13,897
Special services				
Personal services	274,747	274,747	227,310	47,437
Operating expenses	209,314	249,736	216,695	33,041
Capital outlay	3,500	3,500	3,297	203
Total special services	487,561	527,983	447,302	80,681
Building and maintenance				
Personal services	272,635	261,285	258,149	3,136
Operating expenses	145,083	138,102	136,349	1,753
Capital outlay	4,160	22,491	15,489	7,002
Total building and maintenance	421,878	421,878	409,987	11,891
Airport				
Personal services	62,511	73,510	70,015	3,495
Operating expenses	46,186	44,376	43,277	1,099
Capital outlay	6,500	5,985	5,079	906
Total airport	115,197	123,871	118,371	5,500
Judicial				
Personal services	138,235	138,235	138,123	112
Operating expenses	39,297	39,297	31,430	7,867
Capital outlay	1,030	1,030	-	1,030
Total judicial	178,562	178,562	169,553	9,009
Total general government	4,492,006	4,571,698	4,148,851	422,847

The notes to the financial statements are an integral part of this statement.

(continued)

STATE OF NEW MEXICO
TOWN OF TAOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
(continued)
FOR THE YEAR ENDED JUNE 30, 2005

Public safety				
Police				
Personal services	1,341,922	1,260,511	1,195,254	65,257
Operating expenses	213,955	234,937	214,846	20,091
Capital outlay	12,500	12,500	14,481	(1,981)
Total police	1,568,377	1,507,948	1,424,581	83,367
Fire				
Personal services	352,771	344,644	340,848	3,796
Operating expenses	107,315	115,442	109,938	5,504
Capital outlay	12,000	6,000	10,327	(4,327)
Total fire	472,086	466,086	461,113	4,973
Total public safety	2,040,463	1,974,034	1,885,694	88,340
Highways and streets				
Personal services	512,032	473,388	442,983	30,405
Operating expenses	425,386	464,030	391,719	72,311
Capital outlay	3,000	-	-	-
Total highways and streets	940,418	937,418	834,702	102,716
Culture and recreation				
Library				
Personal services	354,505	350,844	336,705	14,139
Operating expenses	102,998	113,909	111,943	1,966
Capital outlay	6,000	6,000	5,640	360
Total library	463,503	470,753	454,288	16,465
Recreation/aquatics				
Personal services	511,174	496,726	421,767	74,959
Operating expenses	258,989	216,886	190,568	26,318
Capital outlay	2,000	2,000	-	2,000
Total recreation/aquatics	772,163	715,612	612,335	103,277
Total culture and recreation	1,235,666	1,186,365	1,066,623	119,742
Excess (deficiency) of revenues over expenditures	378,885	420,416	1,522,694	1,102,278

The notes to the financial statements are an integral part of this statement.

(continued)

STATE OF NEW MEXICO
TOWN OF TAOS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
(continued)
FOR THE YEAR ENDED JUNE 30, 2005

OTHER FINANCING SOURCES (USES)				
Transfers out	(2,352,742)	(2,352,742)	(2,255,937)	96,805
Total other financing sources (uses)	(2,352,742)	(2,352,742)	(2,255,937)	96,805
Net change in fund balances	$(1,973,857)	$(1,932,326)	$(733,243)	$ 1,199,083
Beginning cash balance	$ 186,708	$ 186,708		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$(733,243)
Change in payables	(115,005)
Change in receivables	26,245
Fund balances GAAP basis	$(822,003)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Water and Sewer Fund	Solid Waste Fund	Landfill Fund	Total Proprietary Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,186,294	$ 500,784	$ 515,662	$ 3,202,740
Investments	1,256,901	149,100	-	1,406,001
Accounts receivable (net of allowance for uncollectible)	319,982	106,650	7,054	433,686
Due from other funds	18,753	-	97,000	115,753
Total current assets	3,781,930	756,534	619,716	5,158,180
Restricted assets:				
Customers' meter deposits	180,842	-	-	180,842
Debt payments and reserves	256,865	-	376,642	633,507
Landfill improvements & closures and solid waste issues	-	-	687,435	687,435
Total restricted assets	437,707	-	1,064,077	1,501,784
Plant in service:				
Fixed assets, net of accumulated depreciation	12,427,447	101,441	1,315,914	13,844,802
Total property, plant and equipment	12,427,447	101,441	1,315,914	13,844,802
Total assets	16,647,084	857,975	2,999,707	20,504,766
LIABILITIES				
Current Liabilities:				
Accounts payable	208,938	76,447	3,670	289,055
Accrued expense	19,887	7,484	5,594	32,965
Due to other funds	926	97,000	4,622	102,548
Current portion long-term debt	73,380	-	289,754	363,134
Total current liabilities	303,131	180,931	303,640	787,702
Long term liabilities:				
Utility meter deposits	180,873	-	-	180,873
Compensated absences	16,126	517	9,255	25,898
Landfill closure and post closing liability	-	-	235,575	235,575
Bonds and loans payable less current portion	3,244,005	-	801,643	4,045,648
Total long-term liabilities	3,441,004	517	1,046,473	4,487,994
Total liabilities	3,744,135	181,448	1,350,113	5,275,696
Net Assets				
Invested in capital assets, net of related debt	9,110,062	101,441	783,819	9,995,322
Restricted for debt service	256,865	-	559,302	816,167
Unrestricted	3,536,022	575,086	306,473	4,417,581
Total net assets	$ 12,902,949	$ 676,527	$ 1,649,594	$ 15,229,070

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water and Sewer Fund	Solid Waste Fund	Landfill Fund	Total Proprietary Funds
Operating Revenues:				
Charges for services	$ 2,000,418	$ 980,484	$ 1,137,758	$ 4,118,660
Other revenue	744,678	62,458	-	807,136
Total operating revenues	2,745,096	1,042,942	1,137,758	4,925,796
Operating Expenses:				
Personnel services	405,297	75,161	232,950	713,408
Other	1,863,266	924,748	369,844	3,157,858
Total operating expenses	2,268,563	999,909	602,794	3,871,266
Operating income (loss)	476,533	43,033	534,964	1,054,530
Non-operating revenues (expenses):				
Interest expense	(166,875)	-	(22,310)	(189,185)
Federal grants	443,507	-	-	443,507
Total non-operating revenues (expenses)	276,632	-	(22,310)	254,322
Change in net assets	753,165	43,033	512,654	1,308,852
Net assets, beginning of year	12,149,784	633,494	1,136,940	13,920,218
Net assets, end of year	$ 12,902,949	$ 676,527	$ 1,649,594	$ 15,229,070

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Water and Sewer Fund	Solid Waste Fund	Landfill Fund	Total Proprietary Funds
Cash flows from operating activities				
Cash received from customers	$ 2,756,273	$ 1,046,510	$ 1,165,781	$ 4,968,564
Cash payments to employees for services	(411,107)	(77,625)	(230,798)	(719,530)
Cash payments to supplies for goods and services	(1,060,580)	(897,810)	(317,776)	(2,276,166)
Net cash provided by operating activities	1,284,586	71,075	617,207	1,972,868
Cash flows from noncapital financing activities				
Transfers to other funds	(18,975)	(112)	3,558	(15,529)
Net cash provided by capital and related activities	(18,975)	(112)	3,558	(15,529)
Cash flows from capital and related financing activities				
Grant proceeds	443,507	-	-	443,507
Net cash provided by capital and related activities	443,507	-	-	443,507
Cash flows from capital investing activities				
(Acquisition) disposition of capital assets	(658,162)	-	(437,144)	(1,095,306)
Principal paid on debt	(69,143)	-	(281,286)	(350,429)
Interest paid on debt	(166,875)	-	(22,310)	(189,185)
Net cash provided by capital financing activities	(894,180)	-	(740,740)	(1,634,920)
Net increase in cash and cash equivalents	814,938	70,963	(119,975)	765,926
Cash and equivalents beginning of year	3,065,964	578,921	1,699,714	5,344,599
Cash and equivalents end of year	$ 3,880,902	$ 649,884	$ 1,579,739	$ 6,110,525
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	$ 476,533	$ 43,033	$ 534,964	$ 1,054,530
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	695,146	25,088	50,607	770,841
Provision for bad debt	59,087	1,770	-	60,857
Decrease (increase) in customer receivable	(56,360)	1,798	28,023	(26,539)
Increase (decrease) in accounts payable	107,540	1,850	1,461	110,851
Increase (decrease) in accrued liabilities	(6,771)	(2,272)	111	(8,932)
Increase (decrease) in customer deposits	8,450	-	-	8,450
Increase (decrease) in compensated absences	961	(192)	2,041	2,810
Net cash provided by operating activities	$ 1,284,586	$ 71,075	$ 617,207	$ 1,972,868

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

ASSETS		
Cash	$	21,148
Investments		30,500
Total assets	$	51,648
LIABILITIES		
Deposits payable	$	16,032
Due to outside entities		35,616
Total liabilities	$	51,648

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Taos (Town) was incorporated in 1934. The Town operates under a Mayor Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture and recreation, planning and zoning, water service, sewer service and general administrative services

A. Reporting Entity

This summary of significant accounting policies of the Town of Taos is presented to assist in the understanding of the Town of Taos's financial statements. The financial statements and notes are the representation of the Town of Taos's management who are responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP).

The basic (but not the only) criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 revenue, are reported separately from *business-like 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 revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue.*

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

C. 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,* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 revenue to be available if 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 due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town. Taos County, the collecting agent for the Town's property tax, is unable to report the amount of delinquent tax currently due to the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

The ***Water and Sewer Fund*** is used to account for the activities of the Town's water and sewer operations.

The ***Solid Waste Fund*** accounts for the provision of solid waste services to the residents of the Town and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

The ***Landfill Fund*** is used to account for the activities of the Taos Regional Landfill including debt repayments closure and post closure care estimates as well as operations and administration.

Additionally, the Town reports the following fund types:

The ***Fiduciary Fund*** accounts for resources held for others in a custodial capacity in an Agency Fund. The Town's Agency Fund holds monies collected for permits, park rental and security deposits.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and investments include amounts in demand deposits, certificates of deposit and investments with a maturity date within a year of the date acquired by the Town. Cash in excess of current requirements is invested in the New Mexico State Treasurer's Local Government Pooled Investment Fund.

Receivables

Accounts receivable of the enterprise fund represents the amounts due from customer utility accounts. The governmental funds report taxes and other fees collected at the Town, County and State level as receivables. All trade and tax receivable are shown net of an allowance for uncollectible.

Restricted Assets

Certain resources of the enterprise funds are set aside for revenue bond and note repayment and replacement reserves and are classified as restricted assets on the balance sheet because the use of these monies is limited by applicable bond covenants and loan documents. In addition, customers' meter deposits monies are classified as restricted assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, improvements, and water and sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such 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 library books at conversion were determined to be fully depreciated. Current year purchases of library books do not warrant capitalization.

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the asset constructed. During the year the Town did not capitalize any interest costs.

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.

Property, improvements, equipment, and water and sewer system are depreciated using the straight-line method over the following useful lives:

Assets	Years
Data Processing Equipment & Software	3 - 5
Machinery and equipment	5 - 25
Buildings and improvements	10 - 50
Infrastructure	10 - 50

Compensated Absences

The Town's employees earn vacation leave, which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave accrues at the rate of eight hours per month. An employee cannot accumulate sick leave in excess of 45 days. No employee shall receive compensation for unused sick leave at separation. No liability is recorded for accrued, unused sick leave.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

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

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

E. Proprietary Activity Accounting and Financial Reporting

The Town currently has a policy to apply Governmental Accounting Standards Board (GASB) pronouncements and the Financial Accounting Standards Board (FASB) Statements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements to all proprietary activities.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $ 3,651,372 difference are as follows:

Bonds, loans and contracts payable current	$ 743,000
Bonds, loans and contracts payable long-term	2,654,000
Accrued interest payable	44,106
Compensated absences	210,266
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ 3,651,372

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of this $800,872 difference are as follows:

Capital outlay	$ 3,556,828
Deprecitation expense	(2,755,956)
Net adjustment to increase net changes in fund balances total governmental funds to arrive at changes in net assets of government activities	$ 800,872

Another element of that reconciliation states, "Repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this $ 913,000 difference are as follows:

Bond and loan payable	$ 913,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of government activities	$ 913,000

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets is to decrease net assets." The details of this $ 839 difference are as follows:

In the statement of activities, only the loss on the disposal of capital assets is reported. However, the disposal of capital assets has no effect in the governmental funds. Thus, the change in net assets differs from the change in fund balance by the remaining value of the capital assets.	$ 839
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	$ 839

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $ 30,188 difference are as follows:

Compensated absences	$ (34,331)
Accrued interest	4,143
Net adjustment to decrease net changed in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	$ (30,188)

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Town Finance Director submits to the Town 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 Town Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.

2. The Town Finance Director 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 Town Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July was amended during the fiscal year in a legally permissible manner.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (continued)

3. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

4. Encumbrances are not reported in the budgets or financial statements.

5. The level of classifications detail in which expenditures or expenses may not legally exceed appropriations for each budget is in fund total. Appropriations lapse at year end.

6. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year the accounting records are maintained on the non-GAAP basis of cash receipts and disbursements. Accordingly, certain revenues and the related assets are recognized when paid rather than when the obligation is incurred. The financial statements are presented on the modified accrual basis of accounting. Budgetary comparisons presented for General and Special Revenue Funds in this report are on the non-GAAP budgetary basis and actual (cash basis).

Deposits

The Town invests its funds in accordance with state statues which require that financial institutions pledge collateral consisting of approved federal or state securities whose market value is equal to at least 50% of the deposits in excess of FDIC insurance coverage. In accordance with state statues, the Town may have deposits only in financial institutions, federal direct obligations, or the New Mexico State Treasurer's Local Government Pooled Investment Plan. As of June 30, 2005 the Town had $7,744,997 in financial institutions and $7,466,905 invested in the New Mexico State Treasurer's Local Government Pooled Investment.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Cash, Cash Equivalents

First Community Bank	Balance Per Bank June 30, 2004	Add Deposits In Transit	Less Outstanding Checks	Adjustments	Balance Per Books June 30, 2005
Checking Accounts					
Water Sewer System Income Fund	3,044,857	-	3,914	6,687	3,047,630
Clearing Account	250,647	-	250,445	-	202
Utility Improvement Fund	9,971	-	-	-	9,971
Utility Construction Fund	745,549	-	-	-	745,549
Town Debt Service Fund	338	-	-	-	338
Judicial Bond Fund Municipal Court	4,658	-	-	-	4,658
Certificate of Deposit	170,500	-	-	-	170,500
Centinel Bank					
Checking Accounts					
General Fund	1,246,485	-	-	(243)	1,246,242
Water Waste Water Improvement	500,638	-	33,931	(485)	466,222
ACH Transfer Account	75	-	-	25	100
Payroll Clearing Account	31	-	-	-	31
1994 GRT RB Acquisition Fund	40,549	-	-	-	40,549
Certificate of Deposit	195,500	-	-	-	195,500
Certificate of Deposit	177,500	-	-	-	177,500
Certificate of Deposit	250,000	-	-	-	250,000
Peoples Bank					
Checking Account	(1,006)	-	-	-	(1,006)
Checking Account	15,639	-	-	-	15,639
Certificate of Deposit	235,000	-	-	-	235,000
Certificate of Deposit	499,000	-	-	-	499,000
Total Cash in Banks	$ 7,385,931	$ -	$ 288,290	$ 5,984	7,103,625
Funds Held by the New Mexico Finance Authority:					
Bank of Albuquerque US Treasury Fund Accounts					359,066
State Treasurers Office					7,466,905
Plus Cash on Hand					1,000
Total Cash Per Books					$ 14,930,596

As Reported in Financial Statements:		
Equity in Cash:	Cash	$ 4,488,659
	Restricted Cash	1,501,784
	Investments	8,888,505
	Agency Fund	51,648
		$ 14,930,596

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Pledged Collateral

	First Community Bank	Centinel Bank	Peoples Bank	Total
Deposit	4,226,520	2,410,778	748,633	7,385,931
FDIC	(200,000)	(200,000)	(200,000)	(600,000)
Total uninsured public funds	4,026,520	2,210,778	548,633	6,785,931
50% collateral required	2,013,260	1,105,389	274,317	3,392,966
Collateral pledge:				
Federal Home Loan Bank of Dallas, Irving, Texas				
Federal Home Loan Bank CUSIP 3133MVNV1, 3.20%, 02/12/07	98,906	-	-	98,906
Federal Home Loan Bank CUSIP 3133X4ZC8, 3.00%, 04/15/09	735,000	-	-	735,000
Federal Home Loan Bank CUSIP 33133MTQB7, 3.50%, 11/15/07	346,500	-	-	346,500
Federal Home Loan Bank CUSIP 3133X8CS9, 3.88%, 8/14/09	1,300,000	-	-	1,300,000
Texas Independent Bank, Irving, Texas				
Taos Gas Tax Revenue Bonds CUSIP 875917AJ5, 4.30%, 10/01/05	-	135,336	-	135,336
Taos Gas Tax Revenue Bonds CUSIP 875917AK2, 4.40%, 10/01/06	-	146,769	-	146,769
Taos Gas Tax Revenue Bonds CUSIP 875917ALO, 4.50%, 10/01/07	-	153,387	-	153,387
GNMA 780373 CUSIP 36225AMW7, 7.00%, 12/15/23	-	150,791	-	150,791
GNMA 80342 CUSIP 36225CLY0, 6.50%, 11/20/29	-	123,487	-	123,487
Santa Rosa GO CUSIP 802751CK1, 4.60%, 07/01/11	-	110,709	-	110,709
FHLB CUSIP M31336TDO, 5.49%, 12/22/08	-	105,156	-	105,156
FHLB CUSIP 3133M8AU8, 5.82%, 03/30/09	-	159,862	-	159,862
FHLB CUSIP 3133X4ASO, 2/03%, 12/09/05	-	49,672	-	49,672
FHLB CUSIP 3133M6TDO, 5.49%, 12/22/08	-	157,734	-	157,734
FHLB CUSIP 3133M6TDO, 5.49%, 12/22/08	-	105,156	-	105,156
First Tennessee Bank, Dallas, Texas				
GNMA 2003 70-BH CUSIP 38374BK36, 3.50%, 09/20/26	-	-	500,000	500,000
Total Pledged	2,480,406	1,398,059	500,000	4,378,465
Over (Under) Required Pledged Collateral	$ 467,146	$ 292,670	$ 225,683	$ 985,499

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2005, $6,785,931 of the Town's bank balance of $7,385,931 was exposed to custodial credit risk as follows:

	First Community Bank	Centinel Bank	Peoples Bank	Total
Uninsured and uncollateralized	$ 1,546,114	$ 812,719	$ 48,633	$ 2,407,466
Uninsured and collateral held by pledging bank's trust department in the Bank's name	2,480,406	1,398,059	500,000	4,378,465
Total	$ 4,026,520	$ 2,210,778	$ 548,633	$ 6,785,931

Also at June 30, 2005 the Town had $359,066 held in AP US Treasury Notes, in connection with two New Mexico Finance Authority loans. One for wastewater project and the other for the regional landfill construction. The notes, held by the Bank of Albuquerque Trust Services, in the Bank's name, exposes the Town to custodial credit risk as noted above. The Town does not have an investment policy to limit exposure to custodial credit risk or to manage its exposure to fair value losses due to rising interest rates. At June 30, 2005 these investments were:

Bank of Albuquerque	
NMFA (Wastewater) Reserves	$ 61,977
NMFA (Landfill) Reserves	137,819
NMFA (Landfill) Construction	159,270
Total	$ 359,066

Investments

The Town invests excess cash in the State Treasurer Local Government Investment Pool. The Pool's investments are valued at fair value based on quoted market prices as of the valuation date. The New Mexico State Treasurer Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued or backed by the United States Government or by its departments or agencies and are either direct obligations of the United States Government or agencies sponsored by the United States Government. The Local Government Investment Pool investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contribution entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the fund is voluntary.

4. DETAILED NOTES ON ALL FUNDS

Receivables

Receivables as of year-end for the Town's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds		Proprietary Funds			
	General	Non-Major	Water and Sewer	Solid Waste	Landfill	Total
Receivables:						
Customer Accounts	$ 2,481	$ -	$ 558,564	$ 122,112	$ 7,054	$ 690,211
Property Taxes	14,279	-	-	-	-	14,279
Franchise Taxes	62,200	-	-	-	-	62,200
Gross Receipts Taxes	595,826	150,630	-	-	-	746,456
Gas Taxes	9,638	5,319	-	-	-	14,957
Cigarette Taxes	-	2,034	-	-	-	2,034
Lodgers Taxes	-	84,456	-	-	-	84,456
Motor Vehicle Fees	4,822	-	-	-	-	4,822
Other governments	-	270,921	80,647	-	-	351,568
Gross receivables	689,246	513,360	639,211	122,112	7,054	1,970,983
Less: allowance for uncollectible	-	-	319,229	15,462	-	334,691
Net total receivables	$ 689,246	$ 513,360	$ 319,982	$ 106,650	$ 7,054	$ 1,636,292

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 2,527,903	$ 94,350	$ -	$ -	$ 2,622,253
Construction in progress	1,552,491	989,885	-	-	2,542,376
Total capital assets not being depreciated	4,080,394	1,084,235	-	-	5,164,629
Capital assets, being depreciated:					
Land improvements	4,136,179	136,539	-	-	4,272,718
Buildings and improvements	17,227,509	86,810	-	-	17,314,319
Machinery and equipment	9,047,912	1,486,903	59,639	-	10,475,176
Infrastructure	43,402,302	762,341	-	-	44,164,643
Total capital assets being depreciated	73,813,902	2,472,593	59,639	-	76,226,856
Less accumulated depreciation:					
Land improvements	1,920,095	217,999	-	-	2,138,094
Buildings and improvements	6,358,320	458,569	-	-	6,816,889
Machinery and equipment	5,260,988	724,541	58,800	-	5,926,729
Infrastructure	20,238,805	1,354,847	-	-	21,593,652
Total accumulated depreciation	33,778,208	2,755,956	58,800	-	36,475,364
Total capital assets being depreciated, net	40,035,694	(283,363)	839	-	39,751,492
Governmental activities capital assets, net	$ 44,116,088	$ 800,872	$ 839	$ -	$ 44,916,121
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 262,422	$ -	$ -	$ -	$ 262,422
Construction in progress	267,334	28,620	-	(267,334)	28,620
Total capital assets not being depreciated	529,756	28,620	-	(267,334)	291,042
Capital assets, being depreciated:					
Land improvements	74,787	-	-	-	74,787
Buildings and improvements	2,560,794	92,820	-	-	2,653,614
Machinery and equipment	7,926,994	30,756	1,500	-	7,956,250
Infrastructure	10,566,812	943,109	-	267,334	11,777,255
Total capital assets being depreciated	21,129,387	1,066,685	1,500	267,334	22,461,906
Less accumulated depreciation:					
Land improvements	32,730	4,308	-	-	37,038
Buildings and improvements	1,092,158	66,987	-	-	1,159,145
Machinery and equipment	3,888,095	371,757	1,500	-	4,258,352
Infrastructure	3,125,823	327,788	-	-	3,453,611
Total accumulated depreciation	8,138,806	770,840	1,500	-	8,908,146
Total capital assets being depreciated, net	12,990,581	295,845	-	-	13,553,760
Business-type activities capital assets, net	$ 13,520,337	$ 324,465	$ -	$ -	$ 13,844,802

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

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

Governmental Activities:	
General government	$ 833,516
Public safety	322,244
Highways and streets	271,353
Culture and recreation	1,328,843
Total Depreciation Expense - Governmental Activities	$ 2,755,956
Business-type Activities:	
Water and sewer	$ 695,145
Solid waste	25,088
Landfill	50,607
Total Depreciation Expense - Business-type Activities	$ 770,840

Interfund Receivables, Payables and Transfers

Operating Transfers:

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within one year.

Interfund transfers:

	Transfers out	
	General	Non Major
Transfers in:		
General	$ -	$ 2,255,937
Non-major	2,255,937	-
	$ 2,255,937	$ 2,255,937

Legally authorized transfers between funds, other than those described above, are recorded as other financing sources and uses in the respective funds.

Due from/to other funds are as follows:

Receivable Fund	Payable Fund	Amount
Landfill	Solid waste fund	$ 97,000
General fund	Water and sewer fund	926
General fund	Landfill	4,622
Water and sewer fund	General fund	18,753

4. DETAILED NOTES ON ALL FUNDS (Continued)

SHORT TERM DEBT:

The Town does not have any short-term debt.

LONG TERM DEBT:

Description of Governmental Activities Bonds

Gross Receipts and Gasoline Tax Revenue Bond:

Gross Receipts Tax Revenue Bonds dated December 15, 1995, Series 1995 were issued in the amount of $1,705,000 to provide funds for general acquisition, construction and repairs of the Town. Principal and interest is to be paid annually. The bonds are secured by the gross receipts tax revenue of the Town.

Gross Receipts Tax Revenue Refunding Bonds dated July 31, 2001, Series 2001 were issued in the amount of $4,125,000 to provide funds to advance refund the Town's outstanding Series 1993 gross receipts tax refunding and improvement revenue bonds of $1,195,000 and the Town's outstanding Series 1994 gross receipts tax revenue bonds of $3,110,000. Interest is to be paid semi-annually on June 1 and December 1. The bonds are secured by the gross receipts tax revenue of the Town.

Gasoline Tax Revenue Bonds, dated March 1, 1999, Series 1999 in the amount of $1,955,000 for the purpose of laying off, opening, constructing, reconstructing, resurfacing, maintaining, acquiring rights of way, repairing and otherwise improving alleys, streets, public roads and bridges or any combination of the foregoing. Interest to be paid semi-annually April 1 and October 1. The bonds are secured by and payable from gasoline tax revenues distributed monthly by the State of New Mexico to the Town.

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
Revenue Bonds:				
Series 2001 Gross Receipts Tax	$ 4,125,000	6/1/2009	3.5% - 5.25%	$ 1,950,000
Series 1999 Gasoline Tax	1,955,000	10/1/2012	3.6% - 4.75%	1,285,000
				$ 3,235,000

Debt Service requirements for the Governmental Activities Bonds are as follows:

Year Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2006	$ 725,000	$ 141,957
2007	580,000	113,733
2008	605,000	89,952
2009	625,000	64,548
2010	165,000	32,743
2011-2013	535,000	51,187
Total	$ 3,235,000	$ 494,120

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Governmental Activities Contracts Payable

The Town has contracts payable to U.S. Department of Agriculture:

Future scheduled requirements are:

Year	Principal	Interest	Total
2006	18,000	-	18,000
2007	18,000	-	18,000
2008	18,000	-	18,000
2009	18,000	-	18,000
2010	18,000	-	18,000
2011-2015	72,000	-	72,000
	$ 162,000	$ -	$ 162,000

Description of Business-Type activities Bonds

Water & Sewer and Utility Revenue Bonds:

Water and Sewer Revenue Bonds dated March 16, 1993, Series 1993A were issued in the amount of $635,600 to provide funds for financing improvements to the Town's water and sewer utility system. Principal and interest is to be paid annually. The bonds are secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

Water and Sewer Revenue Bonds dated March 16, 1993, Series 1993B were issued in the amount of $123,000 to provide funds for financing improvements to the Town's water and sewer utility system. Principal and interest is to be paid annually. The bonds are secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

Utility Revenue Bonds dated December 5, 1995, Series 1995A were issued in the amount of $1,315,000 to provide funds for constructing an expansion to the wastewater treatment plant. Interest is to be paid annually on December 5. The bonds are secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

Water and Sewer Revenue Bonds dated July 1, 1999, Series 1998A were issued in the amount of $475,000 to provide fund for improving the sewer plant to enable the Town to recover solid biowaste. Principal and interest is to be paid annually. The bonds are secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
Revenue Bonds:				
Series 1993A Water & Sewer	635,600	3/16/2033	5.625%	565,600
Series 1993B Water & Sewer	123,000	3/16/2033	5.50%	111,000
Series 1995A Utility	1,315,000	12/5/2035	5.13%	1,197,000
Series 1998B Water & Sewer	475,000	1/1/2038	4.75%	447,000
				$ 2,320,600

Business-Type Activities Notes Payable

On May 11, 2001, the Town borrowed $950,391 from the New Mexico Finance Authority for the purpose of expansion of the existing wastewater transmission lines. Principal and interest at 4.34% is to be paid annually. The term of the loan is 20 years. The note is secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

In December 18, 2000, the Town borrowed $250,000 from the Rural Utilities Service for the purpose of expansion of the water system. Principal and interest at 5.00% is to be paid annually. The term of the loan is 40 years. The note is secured by, and payable exclusively from, the net revenues of the water and sewer utility system.

The Town borrowed $1,372,684 from the New Mexico Finance Authority on April 23, 2005 for the construction and equipping of the Solid Waste Landfill Facility. The 10-year loan requires semi-annual interest payments at a rate of 2.399% and annual principal payments. The note is secured by, and payable exclusively from, the net revenues of the Regional Landfill System.

Loans	Original Issue	Final Maturity	Interest Rate	Outstanding
Series 2000A Water & Sewer	250,000	12/18/2040	5.00%	242,000
Taos Regional Landfill	1,372,684	5/1/2014	0.790% - 3.34%	754,784
Series 2001A Water and Sewer	950,391	7/1/2020	4.16% - 5.410%	1,091,398
				$ 2,088,182

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Bonds and Loan Payable

A summary of the terms of revenue bonds and loan outstanding and their corresponding allocations to the business-type activities at June 30, 2005 follows:

Year Ending June 30,	Principal	Interest
2006	$ 363,134	$ 188,113
2007	368,897	182,301
2008	146,362	175,523
2009	150,172	171,063
2010	156,336	166,154
2011 - 2015	792,936	740,010
2016 - 2020	620,460	585,595
2021 - 2025	429,885	431,290
2026 - 2030	538,000	309,807
2031 - 2035	604,600	159,079
2036 - 2040	217,000	29,231
2041	21,000	1,050
	$ 4,408,782	$ 3,139,216

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue Bond	$ 4,130,000	$ -	$ 895,000	$ 3,235,000	$ 725,000
Loan Payable	180,000	-	18,000	162,000	18,000
Compensated absences	175,935	191,764	157,433	210,266	-
Governmental activities long-term liabilities	$ 4,485,935	$ 191,764	$ 1,070,433	$ 3,607,266	$ 743,000
Business-type activities					
Revenue Bonds	$ 2,351,600	$ -	$ 69,143	$ 2,282,457	$ 34,000
Loans Payable	2,407,611	-	281,286	2,126,325	329,134
Compensated Absences	23,087	24,061	21,250	25,898	-
Business-type activities long-term liabilities	$ 4,782,298	$ 24,061	$ 371,679	$ 4,434,680	$ 363,134

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT: (continued)

Landfill Closure and Post Closure Costs

State and Federal laws regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $235,575 reported as landfill closure and post closure care liability at June 30, 2005, represents the cumulative amount reported to date based on management's estimates and on the area used by the landfill. Actual costs may differ due to inflation and changes in technology and regulations.

The Town is required by state regulations to make annual contributions to a restricted cash account to finance closure and post closure care. The town is in compliance with these requirements, and, as of June 30, 2005, had transferred $683,000. The cumulative contribution is reported as restricted assets on the balance sheet.

Restricted Assets

The balances of the restricted asset accounts are as follows:

	Enterprise Funds
Meter deposits	$ 180,842
Debt requirements	633,507
Landfill closure and solid waste reserve	687,435
Total restricted assets	$ 1,501,784

POST-EMPLOYMENT BENEFITS:

Retirement Plan

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

POST-EMPLOYMENT BENEFITS: (Continued)

Retirement Plan (continued)

Funding Policy. Policy plan members are required to contribute a 13.15 to 16.30 percentage of their gross salary depending on classification. The Town is required to contribute 9.15 to 21.25 percent for regular members, fire and police members. The contribution requirements of plan members and the Town of Taos are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Town of Taos's contributions to PERA for the years ending June 30, 2005, 2004 and 2003 were $509,634, $455,170, $418,057, respectively, equal to the amount of the required contributions for each year

Deferred Compensation Plan

The State of New Mexico offers local governments a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all local government employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amount of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust by the State of New Mexico for the benefit of the participants.

Approximately forty-eight employees of the Town participate in the Deferred Compensation Plan. Neither the Town of Taos nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Town of Taos, have been paid to New Mexico Public Employees' Retirement Association, which administers the plan.

Retiree Health Care Act Contributions

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

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

4. DETAILED NOTES ON ALL FUNDS (Continued)

POST-EMPLOYMENT BENEFITS: (Continued)

Retiree Health Care Act Contributions (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 Retiree Health Care Act on the person's behalf, unless that person retires on or before the employer's NMRHCA effective date, in which event the time period for contributions becomes the time between the employer's effective date, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and formers legislators who serve at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional five dollars ($5.00) if eligible participant retired prior to the employer's NMRHCA effective date or is a former legislature. Participants may also enroll in optional plan coverage.

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma NW, Suite 200, Albuquerque, New Mexico.

For the fiscal year ended June 30, 2005, the Town of Taos remitted $55,861 in employer contributions and $27,930 in employee contributions to the Retiree Health Care Authority.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained insurance through the Self Insurance Fund operating as a common risk management and insurance program. The Town pays an annual premium to the New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred.

4. DETAILED NOTES ON ALL FUNDS (Continued)

POST-EMPLOYMENT BENEFITS: (Continued)

Joint Power Agreements

The Town has entered into a joint powers agreement on July 6, 1998, with the County of Taos, Town of Questa, and Village of Taos Ski Valley to provide an enhanced 911-response system. The Town is responsible for all operations. The agreement is to provide an answering point for information regarding needed emergency services. The estimated annual cost is $470,334 with the Town providing $227,167. The Town contributed $230,415 during the current year. The audit responsibility lies with the Town. The agreement has no termination date.

An agreement between the Town, County of Taos, Village of Questa, Village of Red River and Village of Taos Ski Valley was entered into on November 2, 2000 to establish the Taos Regional Landfill Board. The Town of Taos was designated as fiscal agent and administrator of the regional landfill. The parties to the agreement pay a tipping fee based on their percentage of usage and these fees should be adjusted to meet the operations, maintenance and financing requirements. Expenditures reported by the Town were $574,457 during 2005. The audit responsibility lies with the Town. The agreement is for 50 years.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FIRE PROTECTION FUND – To account for the operations and maintenance of the fire department. Financing is provided by an allotment from the State of New Mexico Fire Marshal's Office. State Statue Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

RECREATION FUND – To account for the operation and maintenance of recreational facilities in the Town. Financing is provided by program revenue and by a 1-cent tax on cigarette sales, which is collected and distributed by the State of New Mexico. State Statute Section 7-12-15, NMSA, 1978 compilation requires this tax be used in the above manner.

LODGER'S TAX FUND – To account for the operations of tourist facilities or for half of advertising, promoting and publicizing such facilities and tourist attractions. Financing is provided by one and a half percent of a five percent tax on lodging gross receipts within the Town of Taos. State Statute Section 4-6-41 provides for this tax to be imposed by the Town. Additionally, revenues received pursuant to the Lodger's Tax Act (Section 3-38-15, NMSA 1978). Monies in the Lodger's Tax Fund may be used to build, operate, and maintain tourism related facilities.

LOCAL GOVERNMENTAL CORRECTIONS FUND – The local government corrections fee fund is used to account for the collection of a mandatory correction fee for violations of any municipal ordinance. Funds Collected can only be used for jailer training, construction planning, construction, operation and maintenance of a municipal jail, and for paying for costs of housing. Authority is NMSA 1978 Section 35-14-11B(1).

LAW ENFORCEMENT PROTECTION FUND – The law enforcement protection fund is created to account for revenues received pursuant to the law enforcement protection fund (Section 29-13-7,NMSA 1978). Amounts distributed form this fund may only be expended for the following purpose: (1) the repair and purchase of law enforcement apparatus and equipment that meet nationally recognized standards; (2) expenses associated with advanced law enforcement planning and training; (3) complying with match or contribution requirements of federal funds for criminal justice programs; (4) no more than fifty percent (50%) of the replacement salaries of municipal and county law enforcement personnel while attending a specified advanced law enforcement planning and training..

CIVIC CENTER FUND –This fund is created to account for that portion of lodger's tax receipts allocated for Civic Center operations and promotional expenditures, as well as the revenues earned from Civic Center operations, including rentals, catering fees, and related charges for services. Authority is Town council resolution.

COMMUNITY GRANTS FUND – This fund receives various small grants for various community purposes. Each grant is authorized by the granting agency. The fund is authorized by Town Council resolution.

PUBLIC TRANSPORTATION FUND – The public transportation fund is created to account for the portion of Lodger's Tax receipts allocated for the purpose of providing transportation to the public.

MUNICIPAL ROAD GASOLINE TAX FUND – The Municipal Road Gasoline Tax is used to account for a 1¢ gasoline tax that is used for repairing and construction of roads. Also included in this fund is revenue from the State Department of Transportation under a municipal arterial project agreement. Authority is 7-7-6.9 and 7-1-6.27 NMSA 1978.

¼ CENT MUNICIPAL GROSS RECEIPTS TAX FUND – This fund receives the proceeds form a supplemental municipal gross receipts tax, a portion of which is pledged toward payment of principal and interest on Series 1988 Gross Receipts Tax Revenue Bonds. After required debt service transfers have been made, the remaining income of this fund is restricted for capital improvement purposes. NMSA 1978 Chapter 7, Article 20E-1 to 22.

CENTRAL COMMUNICATIONS FUND – To account for money collected by the Town from three other government entities to share centralized dispatch services throughout the County of Taos. Funding is authorized by a joint power agreement as authorized by Sections 11-1-1 through 11-1-7 NMSA 1978

SWIMMING POOL FUND – The fund was established to account for the contributions given to the Town for the purpose of building a swimming pool.

DEBT SERVICE FUNDS

1989 GASOLINE TAX REVENUE BOND – This fund shall be credited with transfers for the General State Shared Gasoline Tax Income Fund for the purpose of accumulating monies for payment of principal and interest on Series 1989 Gasoline Tax Revenue Bonds.

1995 GROSS RECEIPTS TAX ACQUISITION RETIREMENT – This fund was created with transfers from the ¼ cent Gross Receipts Tax Acquisition Improvement Fund for the purpose of accumulating monies for the payment of principal and interest on Series 1995 Gross Receipts Tax Revenue Bonds.

1995 GROSS RECEIPTS TAX ACQUISITION RESERVE – This fund was created to guarantee payment of principal and interest on Series 1995 Gross Tax Receipts Tax Revenue Funds.

1999 GASOLINE TAX RESERVE BOND – This fund was created with transfers from the Gas Tax Fund for the purpose of accumulating monies for the payment of principal and interest on Series 1999 Gas Tax Revenue Bonds.

2001 GROSS RECEIPTS TAX REVENUE BOND RETIREMENT – This fund was created with transfers from Gross Receipts Tax revenues for the purpose of accumulating monies for payment of principal and interest on Series 2001 Gross Receipts Tax Revenue Bonds.

2001 GROSS RECEIPTS TAX REVENUE BOND RESERVE – To accumulate monies for the payment of interest and principal becoming due each year on outstanding revenue bond.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CAPITAL PROJECTS – This fund is created to accumulate revenues and other financing sources for the purpose of financing general-purpose capital projects.

AIRPORT CONSTRUCTION – This fund is created to receive proceeds from federal and state grants for the purpose of financing improvements to the Taos Municipal Airport.

1994 GROSS RECEIPTS TAX REVENUE BOND ACQUISITION – This fund is created to receive the 1994 Gross Receipts Tax Bond proceeds for the purpose of construction affordable housing.

DOMESTIC VIOLENCE SHELTER – This fund is created to receive the appropriations and grants for the purpose of constructing the Domestic Violence Shelter Home.

FACILITIES IMPROVEMENTS – This fund is created to receive transfers from other funds for the purpose of improving facilities of the Town.

VEHICLE REPLACEMENT – This fund is created to receive transfers from other funds for the purpose of purchasing vehicles for the Town of Taos. Authorization is a resolution of the Town Council.

1999 GAS CONSTRUCTION – This fund was created to receive the bond proceeds and to account for the capital outlay associated with the bond issue.

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue				
ASSETS	Fire Protection Fund #21	Recreation Fund #22	Lodgers Tax Fund #23 & 24	Local Government Correction Fund #25	Law Enforcement Fund #26
Cash	$ 17,663	$ 17,866	$ 49,393	$ 14,322	$ 3,079
Investments	183,220	48,000	107,750	22,000	-
Accounts receivable	-	2,035	84,456	-	-
Total assets	$ 200,883	$ 67,901	$ 241,599	$ 36,322	$ 3,079
LIABILITIES AN FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ 1,417	$ 44,649	$ 8,660	$ 2,486
Accrued expenses	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	1,417	44,649	8,660	2,486
Fund balances:					
Fund balances:					
Reserved for swimming pool	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-
Unreserved and undesignated	200,883	66,484	196,950	27,662	593
Total fund balances	200,883	66,484	196,950	27,662	593
Total liabilities and fund balances	$ 200,883	$ 67,901	$ 241,599	$ 36,322	$ 3,079

Special Revenue						
Civic Center Fund #27	Community Grants Fund #30	Public Transportation Fund #29	Municipal Road Gas Tax Fund #31	1/4 Cent Municipal Gross Receipts Fund #32	Central Communication Fund #34	Swimming Pool Fund #39
$ 19,593	$ 126,660	$ 32,120	$ -	$ 64,085	$ 61,091	$ 14,633
37,000	15,000	-	-	54,000	-	-
-	200,573	37,589	5,319	66,949	1,815	-
$ 56,593	$ 342,233	$ 69,709	$ 5,319	$ 185,034	$ 62,906	$ 14,633
$ 2,841	$ 190,572	$ 9,332	$ -	$ -	$ -	$ -
7,476	2,805	10,309	-	-	13,382	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,317	193,377	19,641	-	-	13,382	-
-	-	-	-	-	-	14,633
-	-	-	-	-	-	-
-	-	-	-	-	-	-
46,276	148,856	50,068	5,319	185,034	49,524	-
46,276	148,856	50,068	5,319	185,034	49,524	14,633
$ 56,593	$ 342,233	$ 69,709	$ 5,319	$ 185,034	$ 62,906	$ 14,633

(Continued)

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue	Debt Service			
ASSETS	**Total**	**1989 Gas Tax Reserve Fund #46**	**1993 Receipts Tax Revenue Fund #47**	**1995 Gross Receipts Tax Acquisition Retirement #41**	**1995 Gross Receipts Tax Acquisition Reserve #45**
Cash	$ 420,505	$ -	$ 338	$ 5,544	$ -
Investments	466,970	195,500	-	-	170,500
Accounts receivable	398,736	-	-	-	-
Total assets	$ 1,286,211	$ 195,500	$ 338	$ 5,544	$ 170,500
LIABILITIES AN FUND BALANCES					
Liabilities:					
Accounts payable	$ 259,957	$ -	$ -	$ -	$ -
Accrued expenses	33,972	-	-	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	293,929	-	-	-	-
Fund balances:					
Fund balances:					
Reserved for swimming pool	14,633	-	-	-	-
Reserved for debt service	-	195,500	338	5,544	170,500
Reserved for capital projects	-	-	-	-	-
Unreserved and undesignated	977,649	-	-	-	-
Total fund balances	992,282	195,500	338	5,544	170,500
Total liabilities and fund balances	$ 1,286,211	$ 195,500	$ 338	$ 5,544	$ 170,500

Debt Service				Capital Projects		
1999 Gas Tax R. B. Retirement	2001 Gross Receipts Tax R. B. Retirement #40	2001 Gross Receipts Tax R. B. Reserve #49	Total	Capital Projects Fund #51	Airport Construction Fund #52	1994 GRT Revenue Bond Acquisition #56
$ 26,161	$ 23,061	$ -	$ 55,104	$ 133,800	$ 32,964	$ 40,549
-	-	412,500	778,500	1,933,000	20,000	857,052
-	-	-	-	50,211	16,688	-
$ 26,161	$ 23,061	$ 412,500	$ 833,604	$ 2,117,011	$ 69,652	$ 897,601
$ -	$ -	$ -	$ -	$ 8,998	$ 17,566	$ 43,617
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,998	17,566	43,617
-	-	-	-	-	-	-
26,161	23,061	412,500	833,604	-	-	-
-	-	-	-	2,108,013	52,086	853,984
-	-	-	-	-	-	-
26,161	23,061	412,500	833,604	2,108,013	52,086	853,984
$ 26,161	$ 23,061	$ 412,500	$ 833,604	$ 2,117,011	$ 69,652	$ 897,601

(Continued)

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Capital Projects				
ASSETS	**Enhanced 911 Fund #53**	**Domestic Violence Shelter Fund #28**	**Facilities Improvements Fund # 50**	**Vehicle Replacement Fund #54**	**1999 Gas Construction**
Cash	$ 25,309	$ -	$ 156,587	$ 3,762	$ 7,400
Investments	-	-	-	296,000	437,900
Accounts receivable	-	-	-	-	47,725
Total assets	$ 25,309	$ -	$ 156,587	$ 299,762	$ 493,025
LIABILITIES AN FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ 10,250	$ -	$ -
Accrued expenses	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	10,250	-	-
Fund balances:					
Fund balances:					
Reserved for swimming pool	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	25,309	-	146,337	299,762	493,025
Unreserved and undesignated	-	-	-	-	-
Total fund balances	25,309	-	146,337	299,762	493,025
Total liabilities and fund balances	$ 25,309	$ -	$ 156,587	$ 299,762	$ 493,025

Capital Projects	
Total	Nonmajor Governmental Funds
$ 400,371	$ 875,980
3,543,952	4,789,422
114,624	513,360
$ 4,058,947	$ 6,178,762
$ 80,431	$ 340,388
-	33,972
-	-
-	-
80,431	374,360
-	14,633
-	833,604
3,978,516	3,978,516
-	977,649
3,978,516	5,804,402
$ 4,058,947	$ 6,178,762

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue				
	Fire Protection Fund #21	Recreation Fund #22	Lodgers Tax Fund #23 & 24	Local Government Corrections Fund #25	Law Enforcement Fund #26
REVENUES					
Taxes	$ -	$ 21,678	$ 883,147	$ -	$ -
Intergovernmental	140,264	-	-	-	29,600
Fines and forfeitures	-	-	-	39,327	-
Charges for services	-	-	-	-	-
Miscellaneous	-	11,095	200	-	-
Total revenues	140,264	32,773	883,347	39,327	29,600
EXPENDITURES					
Current operations:					
General government	-	-	-	-	-
Public safety	38,183	-	-	116,445	29,007
Culture and recreation	-	28,138	433,750	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	86,134	1,420	-	-	-
Total expenditures	124,317	29,558	433,750	116,445	29,007
Excess (deficiency) of revenues over expenditures	15,947	3,215	449,597	(77,118)	593
Other financing sources (uses):					
Transfers in (out)	-	-	(497,456)	81,733	-
Total other financing sources (uses)	-	-	(497,456)	81,733	-
Net change in fund balances	15,947	3,215	(47,859)	4,615	593
Fund balances, beginning of year	184,936	63,269	244,809	23,047	-
Fund balances, end of year	$ 200,883	$ 66,484	$ 196,950	$ 27,662	$ 593

Special Revenue						
Civic Center Fund #27	Community Grants Fund #30	Public Transportation Fund #29	Municipal Road Gas Tax Fund #31	1/4 Cent Municipal Gross Receipts Tax Fund #32	Central Communication Fund #34	Swimming Pool Fund #39
$ -	$ -	$ -	$ 59,446	$ 833,829	$ -	$ -
-	1,265,055	344,813	-	-	243,568	-
-	60,840	-	-	-	-	-
59,830	-	-	-	-	-	-
250	-	46,105	-	-	-	4,383
60,080	1,325,895	390,918	59,446	833,829	243,568	4,383
-	-	-	-	-	-	-
-	90,596	-	-	-	449,258	-
416,951	1,213,873	446,882	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,824	23,936	119,758	-	-	24,725	737,633
432,775	1,328,405	566,640	-	-	473,983	737,633
(372,695)	(2,510)	(175,722)	59,446	833,829	(230,415)	(733,250)
324,815	95,000	172,641	(60,655)	(801,116)	227,167	-
324,815	95,000	172,641	(60,655)	(801,116)	227,167	-
(47,880)	92,490	(3,081)	(1,209)	32,713	(3,248)	(733,250)
94,156	56,366	53,149	6,528	152,321	52,772	747,883
$ 46,276	$ 148,856	$ 50,068	$ 5,319	$ 185,034	$ 49,524	$ 14,633

(Continued)

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue	Debt Service			
	Total	1989 Gas Tax Reserve Fund #46	1993 Receipts Tax Revenue Fund #47	1995 Gross Receipts Tax Acquisition Retirement #41	1995 Gross Receipts Tax Acquisition Reserve #45
REVENUES					
Taxes	$ 1,798,100	$ -	$ -	$ -	$ -
Intergovernmental	2,023,300	-	-	-	-
Fines and forfeitures	100,167	-	-	-	-
Charges for services	59,830	-	-	-	-
Miscellaneous	62,033	3,721	-	-	3,539
Total revenues	4,043,430	3,721	-	-	3,539
EXPENDITURES					
Current operations:					
General government	-	-	-	-	-
Public safety	723,489	-	-	-	-
Culture and recreation	2,539,594	-	-	-	-
Debt service:	-				
Principal	-	-	-	200,000	-
Interest	-	-	-	9,600	-
Capital outlay	1,009,430	-	-	-	-
Total expenditures	4,272,513	-	-	209,600	-
Excess (deficiency) of revenues over expenditures	(229,083)	3,721	-	(209,600)	3,539
Other financing sources (uses):					
Transfers in (out)	(457,871)	(3,721)	-	210,539	(3,539)
Total other financing sources (uses)	(457,871)	(3,721)	-	210,539	(3,539)
Net change in fund balances	(686,954)	-	-	939	-
Fund balances, beginning of year	1,679,236	195,500	338	4,605	170,500
Fund balances, end of year	$ 992,282	$ 195,500	$ 338	$ 5,544	$ 170,500

Debt Service				Capital Projects		
1999 Gas Tax R. B. Retirement #43	2001 Gross Receipts Tax R. B. Retirement #40	2001 Gross Receipts Tax R. B. Reserve #49	Total	Capital Projects Fund #51	Airport Construction Fund #52	1994 GRT Revenue Bond Acquisition #56
$ -	$ -	$ -	$ -	$ 625,370	$ -	$ -
-	-	-	-	929,691	215,886	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,140	16,400	-	-	23,938
-	-	9,140	16,400	1,555,061	215,886	23,938
-	-	-	-	63,198	163,255	109,005
-	-	-	-	-	-	-
-	-	-	-	-	-	-
130,000	565,000	-	895,000	-	-	-
62,005	104,055	-	175,660	-	-	-
-	-	-	-	1,709,815	62,304	168,417
192,005	669,055	-	1,070,660	1,773,013	225,559	277,422
(192,005)	(669,055)	9,140	(1,054,260)	(217,952)	(9,673)	(253,484)
177,095	692,116	(20,204)	1,052,286	1,288,522	17,000	-
177,095	692,116	(20,204)	1,052,286	1,288,522	17,000	-
(14,910)	23,061	(11,064)	(1,974)	1,070,570	7,327	(253,484)
41,071	-	423,564	835,578	1,037,443	44,759	1,107,468
$ 26,161	$ 23,061	$ 412,500	$ 833,604	$ 2,108,013	$ 52,086	$ 853,984

(Continued)

STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Capital Projects				
	Enhanced 911 Fund #53	Domestic Violence Shelter Fund #28	Facilities Improvements Fund # 50	Vehicle Replacement Fund #54	1999 Gas Construction Fund #59
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	149,998	18,093	-	91,078
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	37	9,573	6,107
Total revenues	-	149,998	18,130	9,573	97,185
EXPENDITURES					
Current operations:					
General government	-	150,000	140,335	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	18,000	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	119,248	121,278	285,922
Total expenditures	-	150,000	277,583	121,278	285,922
Excess (deficiency) of revenues over expenditures	-	(2)	(259,453)	(111,705)	(188,737)
Other financing sources (uses):					
Transfers in (out)	-	-	356,000	-	-
Total other financing sources (uses)	-	-	356,000	-	-
Net change in fund balances	-	(2)	96,547	(111,705)	(188,737)
Fund balances, beginning of year	25,309	2	49,790	411,467	681,762
Fund balances, end of year	$ 25,309	$ -	$ 146,337	$ 299,762	$ 493,025

Capital Projects	
Total	Nonmajor Governmental Funds
$ 625,370	$ 2,423,470
1,404,746	3,428,046
-	100,167
-	59,830
39,655	118,088
2,069,771	6,129,601
625,793	625,793
-	723,489
-	2,539,594
18,000	913,000
-	175,660
2,466,984	3,476,414
3,110,777	8,453,950
(1,041,006)	(2,324,349)
1,661,522	2,255,937
1,661,522	2,255,937
620,516	(68,412)
3,358,000	5,872,814
$ 3,978,516	$ 5,804,402

STATE OF NEW MEXICO
TOWN OF TAOS
FIRE PROTECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 140,264	$ 140,264	$ 140,264	$ -
Total revenues	140,264	140,264	140,264	-
EXPENDITURES				
Operating expenses	194,890	179,890	38,183	141,707
Capital outlay	130,310	145,310	86,134	59,176
Total expenditures	325,200	325,200	124,317	200,883
Excess (deficiency) of revenues over expenditures	(184,936)	(184,936)	15,947	200,883
Net change in fund balances	$(184,936)	$(184,936)	$ 15,947	$ 200,883
Beginning cash and investments balance	$ 186,448	$ 186,448		

STATE OF NEW MEXICO
TOWN OF TAOS
RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 32,005	$ 32,005	$ 21,490	$(10,515)
Miscellaneous	8,591	8,591	11,095	2,504
Total revenues	40,596	40,596	32,585	(8,011)
EXPENDITURES				
Operating expenses	32,344	30,344	28,138	2,206
Total expenditures	32,344	30,344	28,138	2,206
Excess (deficiency) of revenues over expenditures	8,252	10,252	4,447	(5,805)
Net change in fund balances	$ 8,252	$ 10,252	$ 4,447	$(5,805)
Beginning cash balance	$ 13,422	$ 13,422		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$ 4,447
Change in payables	(1,420)
Change in receivables	188
Fund balances GAAP basis	$ 3,215

STATE OF NEW MEXICO
TOWN OF TAOS
LODGER'S TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 814,002	$ 814,402	$ 879,514	$ 65,112
Miscellaneous	15,000	15,000	200	(14,800)
Total revenues	829,002	829,402	879,714	50,312
EXPENDITURES				
Operating expenses	447,666	475,266	433,750	41,516
Total expenditures	447,666	475,266	433,750	41,516
Excess (deficiency) of revenues over expenditures	381,336	354,136	445,964	91,828
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(427,973)	(497,457)	(497,456)	(1)
Total other financing sources (uses)	(427,973)	(497,457)	(497,456)	(1)
Net change in fund balances	$(46,637)	$(143,321)	$(51,492)	$ 91,829
Beginning cash and investment balance	$ 165,048	$ 165,048		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$(51,492)
Change in receivables	3,633
Fund balances GAAP basis	$(47,859)

STATE OF NEW MEXICO
TOWN OF TAOS
LOCAL GOVERNMENT CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Fines and forfeits	$ 33,472	$ 34,825	$ 39,327	$ 4,502
Total revenues	33,472	34,825	39,327	4,502
EXPENDITURES				
Operating expenses	100,000	121,353	116,445	4,908
Total expenditures	100,000	121,353	116,445	4,908
Excess (deficiency) of revenues over expenditures	(66,528)	(86,528)	(77,118)	9,410
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	81,733	81,733	81,733	-
Total other financing sources (uses)	81,733	81,733	81,733	-
Net change in fund balances	$ 15,205	$(4,795)	$ 4,615	$ 9,410
Beginning cash balance	$ 1,370	$ 1,370		

STATE OF NEW MEXICO
TOWN OF TAOS
LAW ENFORCEMENT PROTECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 29,600	$ 29,600	$ 29,600	$ -
Total revenues	29,600	29,600	29,600	-
EXPENDITURES				
Operating expenses	29,600	29,600	29,007	593
Total expenditures	29,600	29,600	29,007	593
Excess (deficiency) of revenues over expenditures	-	-	593	593
Net change in fund balances	$ -	$ -	$ 593	$ 593
Beginning cash balance	$ 862	$ 862		

STATE OF NEW MEXICO
TOWN OF TAOS
CIVIC CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Charges for services	$ 66,080	$ 66,080	$ 59,830	$(6,250)
Miscellaneous	10,000	10,000	250	(9,750)
Total revenues	76,080	76,080	60,080	(16,000)
EXPENDITURES				
Operating expenses	485,323	479,323	418,987	60,336
Capital outlay	10,500	19,000	15,824	3,176
Total expenditures	495,823	498,323	434,811	63,512
Excess (deficiency) of revenues over expenditures	(419,743)	(422,243)	(374,731)	(47,512)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	324,815	324,815	324,815	-
Total other financing sources (uses)	324,815	324,815	324,815	-
Net change in fund balances	$(94,928)	$(97,428)	$(49,916)	$(47,512)
Beginning cash balance	$ 10,123	$ 10,123		

RECONCILIATION TO GAAP BASIS

Net increase (decrease) in fund balances budget basis	$(49,916)
Change in payables	2,036
Fund balances GAAP basis	$(47,880)

STATE OF NEW MEXICO
TOWN OF TAOS
COMMUNITY GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$ 3,187,112	$ 3,189,895	$ 1,282,388	$(1,907,507)
Miscellaneous	-	64,685	60,840	(3,845)
Total revenues	3,187,112	3,254,580	1,343,228	(1,911,352)
EXPENDITURES				
Operating expenses	3,339,538	3,397,542	1,406,014	1,991,528
Capital outlay	95,541	98,714	23,936	74,778
Total expenditures	3,435,079	3,496,256	1,429,950	2,066,306
Excess (deficiency) of revenues over expenditures	(247,967)	(241,676)	(86,722)	154,954
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	95,000	95,000	95,000	-
Total other financing sources (uses)	95,000	95,000	95,000	-
Net change in fund balances	$(152,967)	$(146,676)	$ 8,278	$ 154,954
Beginning cash and receivables balance	$ 145,748	$ 145,748		

RECONCILIATION TO GAAP BASIS

Net increase (decrease) in fund balances budget basis	$ 8,278
Change in receivables	168,933
Change in payables	(84,721)
Fund balances GAAP basis	$ 92,490

STATE OF NEW MEXICO
TOWN OF TAOS
PUBLIC TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$ 469,919	$ 499,523	$ 344,813	$(154,710)
Miscellaneous	51,500	51,500	46,105	(5,395)
Total revenues	521,419	551,023	390,918	(160,105)
EXPENDITURES				
Operating expenses	508,617	509,418	446,882	62,536
Capital outlay	185,378	185,379	119,758	65,621
Total expenditures	693,995	694,797	566,640	128,157
Excess (deficiency) of revenues over expenditures	(172,576)	(143,774)	(175,722)	(31,948)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	172,641	172,641	172,641	-
Total other financing sources (uses)	172,641	172,641	172,641	-
Net change in fund balances	$ 65	$ 28,867	$(3,081)	$(31,948)
Beginning cash and receivable balance	$ 75,317	$ 75,317		

STATE OF NEW MEXICO
TOWN OF TAOS
MUNICIPAL ROAD GASOLINE TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 68,347	$ 68,347	$ 60,655	$(7,692)
Total revenues	68,347	68,347	60,655	(7,692)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(68,347)	(68,347)	(60,655)	7,692
Total other financing sources (uses)	(68,347)	(68,347)	(60,655)	7,692
Net change in fund balances	$ -	$ -	$ -	$ -
Beginning cash and receivables balance	$ 5,836	$ 5,319		

RECONCILIATION TO GAAP BASIS

Net increase (decrease) in fund balances budget basis	$ -
Change in receivables	6,528
Fund balances GAAP basis	$ 6,528

STATE OF NEW MEXICO
TOWN OF TAOS
1/4 CENT MUNICIPAL GROSS RECEIPTS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 787,935	$ 787,935	$ 840,995	$ 53,060
Total revenues	787,935	787,935	840,995	53,060
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(825,662)	(801,114)	(801,116)	(2)
Total other financing sources (uses)	(825,662)	(801,114)	(801,116)	(2)
Net change in fund balances	$(37,727)	$(13,179)	$ 39,879	$ 53,058
Beginning cash and receivables balance	$ 8,208	$ 8,208		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$ 39,879
Change in receivables	(7,166)
Fund balances GAAP basis	$ 32,713

STATE OF NEW MEXICO
TOWN OF TAOS
CENTRAL COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$ 243,167	$ 243,167	$ 243,568	$ 401
Total revenues	243,167	243,167	243,568	401
EXPENDITURES				
Operating expenses	475,470	461,809	449,521	12,288
Capital outlay	10,000	23,561	24,725	(1,164)
Total expenditures	485,470	485,370	474,246	11,124
Excess (deficiency) of revenues over expenditures	(242,303)	(242,203)	(230,678)	11,525
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	475,470	461,809	227,167	(234,642)
Total other financing sources (uses)	475,470	461,809	227,167	(234,642)
Net change in fund balances	$ 233,167	$ 219,606	$(3,511)	$(223,117)
Beginning cash balance	$ 62,440	$ 62,440		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$(3,511)
Change in payables	253
Fund balances GAAP basis	$(3,258)

STATE OF NEW MEXICO
TOWN OF TAOS
1989/1999 GROSS RECEIPTS TAX REVENUE BOND RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	$ 4,887	$ 4,887	$ 3,721	$(1,166)
Total revenues	4,887	4,887	3,721	(1,166)
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,887)	(4,887)	(3,721)	1,166
Total other financing sources (uses)	(4,887)	(4,887)	(3,721)	1,166
Net change in fund balances	$ -	$ -	$ -	$ -
Beginning cash balance	$ -	$ -		

STATE OF NEW MEXICO
TOWN OF TAOS
1995 GROSS RECEIPTS TAX ACQUISITION RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES				
Principal retirement	$ 200,000	$ 200,000	$ 200,000	$ -
Interest and fiscal charges	10,350	10,350	9,600	750
Total expenditures	210,350	210,350	209,600	750
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	211,262	211,262	210,539	(723)
Total other financing sources (uses)	211,262	211,262	210,539	(723)
Net change in fund balances	$ 912	$ 912	$ 939	$ 27
Beginning cash balance	$ 4,605	$ 4,605		

STATE OF NEW MEXICO
TOWN OF TAOS
1995 GROSS RECEIPTS TAX ACQUISITION RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	$ 4,262	$ 4,262	$ 3,539	$(723)
Total revenues	4,262	4,262	3,539	(723)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(4,262)	(4,262)	(3,539)	723
Total other financing sources (uses)	(4,262)	(4,262)	(3,539)	723
Net change in fund balances	$ -	$ -	$ -	$ -
Beginning cash balance	$ -	$ -		

STATE OF NEW MEXICO
TOWN OF TAOS
1999 GAS TAX R.B. RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal retirement	$ 130,000	$ 130,000	$ 130,000	$ -
Interest and fiscal charges	65,083	65,083	62,005	3,078
Total expenditures	195,083	195,083	192,005	3,078
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	167,757	167,757	177,095	9,338
Total other financing sources (uses)	167,757	167,757	177,095	9,338
Net change in fund balances	$(27,326)	$(27,326)	$(14,910)	$ 12,416
Beginning cash balance	$ 41,071	$ 41,071		

STATE OF NEW MEXICO
TOWN OF TAOS
2001 GROSS RECEIPTS TAX R.B. RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Principal retirement	$ 565,000	$ 565,000	$ 565,000	$ -
Interest and fiscal charges	104,055	104,055	104,055	-
Total expenditures	669,055	669,055	669,055	-
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	691,564	691,564	692,116	552
Total other financing sources (uses)	691,564	691,564	692,116	552
Net change in fund balances	$ 22,509	$ 22,509	$ 23,061	$ 552
Beginning cash balance	$ -	$ -		

STATE OF NEW MEXICO
TOWN OF TAOS
2001 GROSS RECEIPTS TAX R.B. RESERVE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	$ 10,312	$ 8,250	$ 9,140	$ 890
Total revenues	10,312	8,250	9,140	890
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(10,312)	(20,204)	(20,204)	-
Total other financing sources (uses)	(10,312)	(20,204)	(20,204)	-
Net change in fund balances	$ -	$(11,954)	$(11,064)	$ 890
Beginning cash balance	$ 11,064	$ 11,064		

STATE OF NEW MEXICO
TOWN OF TAOS
CAPITAL PROJECTS FUND - INDIVIDUAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 1,964,115	$ 1,964,115	$ 929,691	$(1,034,424)
Taxes	590,951	590,951	630,745	39,794
Total revenues	2,555,066	2,555,066	1,560,436	(994,630)
EXPENDITURES				
Operating expenses	233,340	230,124	63,196	166,928
Capital outlay	4,808,990	4,992,148	1,709,815	3,282,333
Total expenditures	5,042,330	5,222,272	1,773,011	3,449,261
Excess (deficiency) of revenues over expenditures	(2,487,264)	(2,667,206)	(212,575)	2,454,631
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	1,418,522	1,511,522	1,288,522	(223,000)
Total other financing sources (uses)	1,418,522	1,511,522	1,288,522	(223,000)
Net change in fund balances	$(1,068,742)	$(1,155,684)	$ 1,075,947	$ 2,231,631
Beginning cash,investments and receivables balance	$ 987,854	$ 987,854		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$ 1,075,947
Change in receivables	(5,375)
Change in payables	(2)
Fund balances GAAP basis	$ 1,070,570

STATE OF NEW MEXICO
TOWN OF TAOS
AIRPORT CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 979,390	$ 1,077,377	$ 215,886	$(861,491)
Total revenues	979,390	1,077,377	215,886	(861,491)
EXPENDITURES				
Operating expenses	496,282	496,282	163,255	333,027
Capital outlay	538,792	639,292	62,304	576,988
Total expenditures	1,035,074	1,135,574	225,559	910,015
Excess (deficiency) of revenues over expenditures	(55,684)	(58,197)	(9,673)	48,524
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	17,000	17,000	17,000	-
Total other financing sources (uses)	17,000	17,000	17,000	-
Net change in fund balances	$(38,684)	$(41,197)	$ 7,327	$ 48,524
Beginning cash balance	$ 54,175	$ 54,175		

STATE OF NEW MEXICO
TOWN OF TAOS
1994 GRT REVENUE BOND ACQUISITION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous	$ 21,665	$ 21,665	$ 23,938	$ 2,273
Total revenues	21,665	21,665	23,938	2,273
EXPENDITURES				
Capital outlay	345,877	272,493	158,417	114,076
Total expenditures	345,877	272,493	158,417	114,076
Excess (deficiency) of revenues over expenditures	(324,212)	(250,828)	(134,479)	116,349
Net change in fund balances	$(324,212)	$(250,828)	$(134,479)	$ 116,349
Beginning cash and investments balance	$ 1,117,104	$ 1,117,104		

RECONCILIATION TO GAAP BASIS	
Net increase (decrease) in fund balances budget basis	$(134,479)
Change in payables	(119,005)
Fund balances GAAP basis	$(253,484)

STATE OF NEW MEXICO
TOWN OF TAOS
DOMESTIC VIOLENCE SHELTER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 150,000	$ 150,000	$ 150,000	$ -
Total revenues	150,000	150,000	150,000	-
EXPENDITURES				
Operating expenses	150,000	150,000	150,000	-
Total expenditures	150,000	150,000	150,000	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	$ -	$ -
Beginning cash balance	$ 2	$ 2		

STATE OF NEW MEXICO
TOWN OF TAOS
FACILITIES IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$ 19,151	$ 19,151	$ 18,093	$(1,058)
Miscellaneous	500	500	37	(463)
Total revenues	19,651	19,651	18,130	(1,521)
EXPENDITURES				
Operating expenses	184,261	230,521	140,334	90,187
Capital outlay	222,795	230,649	119,248	111,401
Total expenditures	407,056	461,170	259,582	201,588
Excess (deficiency) of revenues over expenditures	(387,405)	(441,519)	(241,452)	200,067
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	341,000	356,000	356,000	-
Total other financing sources (uses)	341,000	356,000	356,000	-
Net change in fund balances	$(46,405)	$(85,519)	$ 114,548	$ 200,067
Beginning cash balance	$ 54,992	$ 54,992		

RECONCILIATION TO GAAP BASIS

Net increase (decrease) in fund balances budget basis	$ 114,548
Change in payables	(18,001)
Fund balances GAAP basis	$ 96,547

STATE OF NEW MEXICO
TOWN OF TAOS
VEHICLE REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	$ 5,000	$ 56,573	$ 9,573	$(47,000)
Total revenues	5,000	56,573	9,573	(47,000)
EXPENDITURES				
Capital outlay	30,000	151,573	121,278	30,295
Total expenditures	30,000	151,573	121,278	30,295
Excess (deficiency) of revenues over expenditures	(25,000)	(95,000)	(111,705)	(16,705)
Net change in fund balances	$(25,000)	$(95,000)	$(111,705)	$(16,705)
Beginning cash balance	$ 411,467	$ 411,467		

STATE OF NEW MEXICO
TOWN OF TAOS
1999 GAS CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$ 992,333	$ 992,333	$ 91,078	$(901,255)
Miscellaneous	21,231	21,231	6,107	(15,124)
Total revenues	1,013,564	1,013,564	97,185	(916,379)
EXPENDITURES				
Capital outlay	1,680,145	1,754,462	285,922	1,468,540
Total expenditures	1,680,145	1,754,462	285,922	1,468,540
Excess (deficiency) of revenues over expenditures	(666,581)	(740,898)	(188,737)	552,161
Net change in fund balances	$(666,581)	$(740,898)	$(188,737)	$ 552,161
Beginning cash balance	$ 700,331	$ 700,331		

STATE OF NEW MEXICO
TOWN OF TAOS
WATER AND SEWER FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Postive (Negative)
Operating Revenues:				
Charges for services	$ 1,736,807	$ 1,736,807	$ 2,000,418	$ 263,611
Other revenue	491,887	491,887	744,678	252,791
Total operating revenues	2,228,694	2,228,694	2,745,096	516,402
Operating Expenses:				
Personnel services	485,980	442,216	405,297	36,919
Other	1,388,865	1,390,900	1,109,033	281,867
Total operating expenses	1,874,845	1,833,116	1,514,330	318,786
Operating income (loss)	353,849	395,578	1,230,766	835,188
Non-operating income (deductions):				
Interest expense	(168,924)	(169,614)	(166,875)	2,739
Federal grants	5,289,644	4,289,644	443,507	(3,846,137)
Total non-operating income (deductions)	5,120,720	4,120,030	276,632	(3,843,398)
Other financing sources (uses):				
Transfers in (out) from other funds	5,470	26,490	-	(26,490)
Total other financing sources (uses)	5,470	26,490	-	(26,490)
Non-budgeted items:				
Bad debt	-	-	(59,087)	(59,087)
Depreciation	-	-	(695,146)	(695,146)
Total other financing sources (uses)	-	-	(754,233)	(754,233)
Net income (loss)	$ 5,480,039	$ 4,542,098	$ 753,165	$(3,788,933)

STATE OF NEW MEXICO
TOWN OF TAOS
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Postive (Negative)
Operating Revenues:				
Charges for services	$ 822,144	$ 822,144	$ 980,484	$ 158,340
Other revenue	46,941	46,941	62,458	15,517
Total operating revenues	869,085	869,085	1,042,942	173,857
Operating Expenses:				
Personnel services	96,466	85,217	75,161	10,056
Other	865,154	912,377	897,890	14,487
Total operating expenses	961,620	997,594	973,051	24,543
Operating income (loss)	(92,535)	(128,509)	69,891	198,400
Non-budgeted items:				
Bad debt	-	-	(1,770)	(1,770)
Depreciation	-	-	(25,088)	(25,088)
Total other financing sources (uses)	-	-	(26,858)	(26,858)
Net income (loss)	$(92,535)	$(128,509)	$ 43,033	$ 171,542

STATE OF NEW MEXICO
TOWN OF TAOS
LANDFILL
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget Postive (Negative)
	Original	Final	Actual Amounts	
Operating Revenues:				
Charges for services	$ 1,047,838	$ 1,047,838	$ 1,137,758	$ 89,920
Total operating revenues	1,047,838	1,047,838	1,137,758	89,920
Operating Expenses:				
Personnel services	215,699	230,912	232,950	(2,038)
Other	405,553	401,551	319,237	82,314
Total operating expenses	621,252	632,463	552,187	80,276
Operating income (loss)	426,586	415,375	585,571	170,196
Non-operating income (deductions):				
Interest expense	(28,252)	(28,252)	(22,310)	5,942
Total non-operating income (deductions)	(28,252)	(28,252)	(22,310)	5,942
Non-budgeted items:				
Depreciation	-	-	(50,607)	(50,607)
Total other financing sources (uses)	-	-	(50,607)	(50,607)
Net income (loss)	$ 398,334	$ 387,123	$ 512,654	$ 125,531

STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2005

	Balance June 30, 2004	Receipts	Disbursements	Balance June 30, 2005
ASSETS				
Cash	$ 15,134	$ 43,555	$ 37,541	$ 21,148
Investments	30,500	-	-	30,500
Total assets	$ 45,634	$ 43,555	$ 37,541	$ 51,648
LIABILITIES				
Deposits payable	$ 11,063	$ 29,317	$ 24,348	16,032
Due to outside entities	34,571	14,238	13,193	35,616
Total liabilities	$ 45,634	$ 43,555	$ 37,541	$ 51,648

FEDERAL COMPLIANCE AND FINDINGS

STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2005

Program	Federal CFDA Number	Grant ID Number	Federal Expenditures
U.S. Department of Justice:			
Local Law Enforcement Block Grant			
2002 Grant Award $29,020	16.592	2002-LB-BX-3077	$ 4,359
2003 Grant Award $21,983	16.592	2003-LB-BX-0910	14,343
Subtotal Local Law Enforcement Block Grant			18,702
Violence Against Women Act	16.588	2002-WF-BX-0057	54
COPS Grant 2003	16.710	2003-SH-WX-0149	50,861
U.S. Department of Housing & Urban Development Pass Through the State of New Mexico, Department of Finance & Administration:			
Community Against Violence	14.235	NM02B001003	150,000
U.S. Department of Transportation Federal Aviation Administration			
02 Air Services Grant (DOT)	20.930		57,953
03 Air Services Grant (DOT)	20.930		557,373
Subtotal Air Services Grant			615,326
Ramp Reconstruction - FAA	20.106	3-35-004-013-2002	57,232
Airport EIS - FAA	20.106	3-35-0041-014-2003	146,929
Subtotal Federal Aviation Administration			204,161
Federal Transportation Administration Grant	Unknown	NM-03-0041	238,485
Total Federal Financial Awards Expenditures			$ 1,277,589

Note A - Significantg Accounting Policies:
The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMETNS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Bobby Duran, Mayor
Town Council
Town of Taos
Taos, New Mexico
and
Domingo P. Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, fiduciary funds, the aggregated remaining fund information, and the budgetary comparisons of the Town of Taos as of and for the year ended June 30, 2005, and have issued our report thereon, dated February 17, 2006. We have also audited the financial statements of each of the Town's nonmajor governmental funds, the combining and individual fund financial statements and budgetary comparisons. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Taos, New Mexico internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Taos, New Mexico's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2005-4. .

4301 THE 25 WAY NE ■ ALBUQUERQUE, NM 87109 ■ (505) 266-5904 ■ FAX: (505) 268-6444 ■ www.pbhcpa.com
AFFILIATE OFFICES: WACO, TX (254) 772-4901 ■ BROWNSVILLE, TX (956) 544-7778
HILLSBORO, TX (254) 582-2583 ■ TEMPLE, TX (254) 791-3460

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud, in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions describe above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Taos's basic 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 *Governmental Auditing Standards,* which are described in the accompanying Schedule of Findings and Questioned Costs as 2005–1 to 3 and 5.

This report is intended solely for the information and use of management, the Town, the Office of State Auditor, and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
February 17, 2006

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Bobby Duran, Mayor
Town Council
Town of Taos
Taos, New Mexico
and
Domingo P. Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the Town of Taos, New Mexico, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of Taos, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Taos, New Mexico's management. Our responsibility is to express an opinion on the Town of Taos, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Taos, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Taos, New Mexico's compliance with those requirements.

As described in item 2004-1 in the accompanying schedule of findings and questioned costs, the Town of Taos, New Mexico, did not comply with the requirements regarding delivery of the audit report to the federal clearing house within 9 months after the end of the fiscal year.

4301 THE 25 WAY NE ■ ALBUQUERQUE, NM 87109 ■ (505) 266-5904 ■ FAX: (505) 268-6444 ■ www.pbhcpa.com
AFFILIATE OFFICES: WACO, TX (254) 772-4901 ■ BROWNSVILLE, TX (956) 544-7778
HILLSBORO, TX (254) 582-2583 ■ TEMPLE, TX (254) 791-3460

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Taos, New Mexico, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Town of Taos, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Taos, New Mexico's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
February 17, 2006

STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Taos.

2. One reportable conditions was disclosed during the audit.

3. No instances of noncompliance material to the financial statements were disclosed during the audit.

4. There was one reportable conditions disclosed during the audit of the major federal awards programs reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal awards programs for the Town of Taos expresses a qualified opinion.

6. There was one audit findings relative to the major federal awards programs for the Town of Taos to be reported in Part C of this schedule.

7. The programs tested as major programs included:
   U.S. Department of Transportation – FTA Grant
   U.S. Department of Housing and Urban Development – Community Against Violence CFDA# 14.235

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The Town of Taos qualified as a low risk auditee.

B. Findings – Financial Statements Audit

Prior Year
2004-1 Late Submission of Audit Report – repeat
2004-2 Lodger's Tax Audit Late - repeat
2004-3 Procurement Code Violation - repeat
2004-4 Bank Reconciliations - repeat
2004-5 Pledged Collateral Requirement - resolved

Current Year
2005-1 Late Submission of Audit Report
2005-2 Lodger's Tax Audit Late
2005-3 Procurement Code Violation
2005-4 Bank Reconciliations

C. Findings and Questioned Costs – Major Federal Award Program Audit

2005-1 Late Submission of Audit Report

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2005 – 1 **Submission of Audit Report**

Condition: The audit report was submitted to the State Auditor on May 10, 2006, after the due date of December 1st.

Criteria: Section 2.2.2.9.A of the Auditors Rule 2005 establishes audit due dates. Additionally, the report was due to be filed with the Federal Clearing House no later than 9 months after the end of the fiscal year.

Effect: Noncompliance with section 2.2.2.9.A of the State Auditor Rule 2005.

Cause: The Town contracted with an independent auditor as required. The independent auditor was unable to complete the contract terms. Because of the independent auditor not completing the contract terms the Town was now required to start the procurement process for the annual audit again.

Recommendation: The Town did everything necessary to complete the audit on time. We have no recommendation.

Response: The Town was not responsible for the late report.

2005 – 2 **Lodger's Tax Audit Late**

Condition: The Town has not performed Lodger's Tax Audits which are required annually.

Criteria: Pursuant to Section 3-38-17.1 and 3-38-17.2(A) NMSA 1978, a Lodger's Tax Audit is due every year if the tax collected is over $250,000 per year. The report is due no later than ten days of the filing receipt of the report by the governing body.

Effect: The Town is in violation of Section 3-8-17.1 and 3-38-17.2.

Cause: The Town contracted with an independent auditor to perform the audit. The independent auditor could not complete the contract therefore the Lodger's Tax Audit was not complete.

Recommendation: The Finance Department should continue to request the service with their annual audit.

Response: The Town has take appropriate action and has brought their lodger's tax audits current.

2005 – 3 **Procurement Code Violation**

Condition: The Town violated the procurement code while building the swimming pool. During the 2005 year $737,633 was expended from this fund.

Criteria: NMSA 13-1-1 to 13-1-199 establish the law requiring the proper steps to be taken for procurement of goods and services.

Effect: The Town built the swimming pool without requesting bids for the construction project causing a violation of the procurement code.

Cause: The Town received a contribution of $2,200,000 with the understanding that the funds would be used to erect a swimming pool. An agreement was signed by the donor and Town stating in order to expedite the construction a named individual would manage the project and this individual would be given the authority to negotiate and hire sufficient professionals to design and build the pool. The Town also believed and stated in the agreement that the money was not public money and therefore was not subject to the procurement code.

Recommendation: The Town should properly record all income and bank accounts in its book of record. Donations received by the Town are to be expended under the guidelines of the procurement code. Donations received for a donor specified project are accounted for by restricting fund balance in the amount of the donation or in a separate fund with the creation of the fund being for the specified purpose.

Response: The Town obtained a legal opinion and believes that NMSA 5-4-6 allows them to be exempt from the procurement code under the terms of the donation.

2005 – 4 **Bank Reconciliations**

Condition: The Town has several bank accounts that were not reconciled on a monthly basis.

Criteria: NMSA 6-10-2 discusses the duty of public officials to balance public money at the close of each business day. Good accounting practices also require bank reconciliations be prepared at least monthly.

Effect: The Town had several cash accounts that were not reconciled at year end causing adjusting entries to be recorded to balance cash.

2005 – 4 **Bank Reconciliations** (continued)

Cause: Finance department turnover caused the workload in the department to increase due to training new employees. Reconciliations were not reviewed in a timely manner causing smaller accounts with minimal transactions to be overlooked.

Recommendation: All bank accounts should be reconciled monthly. Any adjustments that are needed should be prepared and entered into the books once found.

Response:

Management agrees with the recommendation.

EXIT CONFERENCE

An exit conference was held on March 3, 2006, by Susan Langan, CPA of Pattillo, Brown & Hill, L.L.P. with Bobby Duran, Mayor, Meliton Struck, Council Member, Tomas Benavidez, Town Manager and Marietta Fambro, Finance Director, of Town of Taos. The audit was discussed.

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the auditors, Pattillo, Brown and Hill, L.L.C., Certified Public Accountants; however the financial statements are the responsibility of the management.