

**STATE OF NEW MEXICO
TOWN OF TAOS
AUDIT REPORT
JUNE 30, 2008**

STATE OF NEW MEXICO
TOWN OF TAOS
JUNE 30, 2008

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TOWN OF TAOS
JUNE 30, 2008

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
TOWN OF TAOS
JUNE 30, 2008

OFFICAL ROSTER

<u>Name</u>	<u>Title</u>
Bobby F. Duran	Mayor
Rudy Abeyta	Council Member
Eugene Sanchez	Council Member
Darren Cordova	Council Member
Amy Quintana	Council Member

ADMINISTRATIVE OFFICIALS

Daniel Miera	Town Manager
Marietta Fambro	Finance Director

FINANCIAL STATEMENTS SECTION



PATILLO, 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

Hector H. Balderas
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 aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Taos, New Mexico as of and for the year ended June 30, 2008, 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, 2008 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, and the aggregate remaining fund information of the Town of Taos, New Mexico as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General 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 30, 2008 and the respective changes in financial position and cash flows where applicable and the respective budgetary comparisons for the capital projects fund and each nonmajor governmental fund and enterprise funds, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 25, 2008, on our consideration of the Town of Taos, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 basic financial statements.

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

Pattillo, Brown & Hill LLP
Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
November 25, 2008

**STATE OF NEW MEXICO
TOWN OF TAOS
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 762,373	\$ 3,781,494	\$ 4,543,867
Investments	12,557,978	1,612,526	14,170,504
Receivables (net of allowances for uncollectible)	2,070,555	518,631	2,589,186
Interfund balances	14,706	97,000	111,706
Total current assets	<u>15,405,612</u>	<u>6,009,651</u>	<u>21,415,263</u>
Other assets:			
Restricted cash	-	1,327,165	1,327,165
Total other assets	<u>-</u>	<u>1,327,165</u>	<u>1,327,165</u>
Noncurrent assets:			
Other assets - Bond issue cost	179,586	-	179,586
Capital assets not being depreciated			
Land	5,943,036	262,422	6,205,458
Construction in progress	2,553,198	3,383,782	5,936,980
Capital assets, being depreciated	86,067,763	27,945,592	114,013,355
Less: accumulated depreciation	(46,797,973)	(11,615,512)	(58,413,485)
Total capital assets	<u>47,945,610</u>	<u>19,976,284</u>	<u>67,921,894</u>
Total noncurrent assets	<u>47,945,610</u>	<u>19,976,284</u>	<u>67,921,894</u>
Total assets	<u>\$ 63,351,222</u>	<u>\$ 27,313,100</u>	<u>\$ 90,664,322</u>

LIABILITIES	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Bank overdraft	225,552	-	225,552
Accounts payable	1,050,700	578,436	1,629,136
Accrued liabilities	270,570	39,802	310,372
Court bonds	7,363	-	7,363
Interfund balances	-	111,706	111,706
Accrued interest payable	48,788	-	48,788
Current portion long term debt	879,333	232,983	1,112,316
Total current liabilities	<u>2,482,306</u>	<u>962,927</u>	<u>3,445,233</u>
Noncurrent liabilities:			
Meter deposits	-	226,705	226,705
Compensated absences	784,354	66,043	850,397
Landfill closure and post closing liability	-	235,575	235,575
Bond premium	68,874	-	68,874
Bonds and contracts payable less current portion	7,829,172	4,297,406	12,126,578
Total noncurrent liabilities	<u>8,682,400</u>	<u>4,825,729</u>	<u>13,508,129</u>
Total liabilities	<u>11,164,706</u>	<u>5,788,656</u>	<u>16,953,362</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,168,231	15,445,895	54,614,126
Restricted for:			
Capital projects	8,994,602	-	8,994,602
Swimming pool	-	-	-
Debt service	823,636	721,595	1,545,231
Unrestricted	3,200,047	5,356,954	8,557,001
Total net assets	<u>\$ 52,186,516</u>	<u>\$ 21,524,444</u>	<u>\$ 73,710,960</u>

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, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 6,864,848	\$ 530,263	\$ 374,580	\$ 684,050
Public safety	4,163,607	515,702	402,237	-
Highway and streets	1,405,271	-	237,796	102,968
Culture and recreation	5,363,217	325,029	130,300	314,371
Interest and fees on long-term debt	227,941	-	-	-
Total governmental activities	<u>18,024,884</u>	<u>1,370,994</u>	<u>1,144,913</u>	<u>1,101,389</u>
Business-type activities:				
Water and sewer	3,216,742	2,433,403	-	1,255,068
Solid waste	1,049,768	1,184,509	-	-
Landfill	949,724	1,252,531	-	-
Total business-type activities	<u>5,216,234</u>	<u>4,870,443</u>	<u>-</u>	<u>1,255,068</u>
Total primary government	<u>\$ 23,241,118</u>	<u>\$ 6,241,437</u>	<u>\$ 1,144,913</u>	<u>\$ 2,356,457</u>

General revenues:

Taxes:

 Property taxes, levied for general purposes

 State shared

 Sales

 Lodgers

 Franchise

Investment earnings

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
\$(5,275,955)	\$ -	\$(5,275,955)
(3,245,668)	-	(3,245,668)
(1,064,507)	-	(1,064,507)
(4,593,517)	-	(4,593,517)
(227,941)	-	(227,941)
<u>(14,407,588)</u>	<u>-</u>	<u>(14,407,588)</u>
-	471,729	471,729
-	134,741	134,741
-	<u>302,807</u>	<u>302,807</u>
-	<u>909,277</u>	<u>909,277</u>
<u>(14,407,588)</u>	<u>909,277</u>	<u>(13,498,311)</u>
733,520	-	733,520
83,916	-	83,916
9,993,470	462,538	10,456,008
947,126	-	947,126
522,144	-	522,144
425,029	174,969	599,998
862,425	-	862,425
<u>13,567,630</u>	<u>637,507</u>	<u>14,205,137</u>
<u>(839,958)</u>	<u>1,546,784</u>	<u>706,826</u>
<u>53,026,474</u>	<u>19,977,660</u>	<u>73,004,134</u>
<u>\$ 52,186,516</u>	<u>\$ 21,524,444</u>	<u>\$ 73,710,960</u>

**STATE OF NEW MEXICO
TOWN OF TAOS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Capital Projects #51	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 395,685	\$ 166,688	\$ 200,000	\$ 762,373
Investments	1,580,428	7,467,342	3,510,208	12,557,978
Accounts receivable	845,412	607,036	618,107	2,070,555
Due from other funds	14,706	-	-	14,706
Total assets	\$ 2,836,231	\$ 8,241,066	\$ 4,328,315	\$ 15,405,612
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Bank overdrafts	\$ -	\$ -	\$ 225,552	\$ 225,552
Deferred revenue	26,740	-	141,109	167,849
Accounts payable	195,542	698,791	156,367	1,050,700
Accrued liabilities	223,287	-	47,283	270,570
Court bonds payable	7,363	-	-	7,363
Total liabilities	452,932	698,791	570,311	1,722,034
 Fund balances:				
Reserved for:				
Special revenue-swimming pool	-	-	-	-
Debt service	-	-	823,636	823,636
Capital projects	-	7,542,275	1,452,327	8,994,602
Unreserved, undesignated reported in:				
General fund	2,383,299	-	-	2,383,299
Capital projects funds	-	-	350,119	350,119
Special revenue funds	-	-	1,131,922	1,131,922
Total fund balances	2,383,299	7,542,275	3,758,004	13,683,578
Total liabilities and fund balances	\$ 2,836,231	\$ 8,241,066	\$ 4,328,315	

Long term liabilities, including loans payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.

(9,430,935)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

47,766,024

Recognition of deferred revenue is reflected on the full accrual basis in the statement of net assets.

167,849

Net assets of governmental activities

\$ 52,186,516

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, 2008**

	<u>General</u>	<u>Capital Projects Fund #51</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				\$ -
Gross receipts tax	\$ 3,702,112	\$ 693,780	\$ 925,075	5,320,967
Property taxes	706,780	-	-	706,780
Lodgers' tax	-	-	947,126	947,126
Other state shared taxes	64,943	-	92,392	157,335
Franchise taxes	510,461	-	-	510,461
Licenses and permits	179,923	-	-	179,923
Intergovernmental	45,792	897,828	1,631,467	2,575,087
Fines and forfeitures	177,057	-	75,534	252,591
Charges for services	342,916	-	75,886	418,802
State shared gross receipts taxes	4,532,873	-	-	4,532,873
State shared gasoline taxes	66,211	-	-	66,211
Miscellaneous	385,554	80,202	198,873	664,629
Total revenues	<u>10,714,622</u>	<u>1,671,810</u>	<u>3,946,353</u>	<u>16,332,785</u>
EXPENDITURES				
Current operations:				
General government	4,391,748	421,223	809,361	5,622,332
Public safety	2,890,623	-	788,383	3,679,006
Highways and streets	972,512	-	-	972,512
Culture and recreation	2,151,151	-	1,777,957	3,929,108
Debt service:				
Principal	-	-	696,495	696,495
Interest & fiscal charges	-	184,717	205,444	390,161
Capital outlay	<u>5,634</u>	<u>2,862,618</u>	<u>732,527</u>	<u>3,600,779</u>
Total expenditures	<u>10,411,668</u>	<u>3,468,558</u>	<u>5,010,167</u>	<u>18,890,393</u>
Excess (deficiency) of revenues over expenditures	302,954	(1,796,748)	(1,063,814)	(2,557,608)
Other financing sources (uses):				
Debt proceeds	-	6,395,000	-	6,395,000
Debt issuance premium	-	70,842	-	70,842
Transfers in (out)	(1,411,041)	479,453	931,588	-
Total other financing sources (uses)	<u>(1,411,041)</u>	<u>6,945,295</u>	<u>931,588</u>	<u>6,465,842</u>
Net change in fund balances	<u>(1,108,087)</u>	<u>5,148,547</u>	<u>(132,226)</u>	<u>3,908,234</u>
Fund balances, beginning of year	<u>3,491,386</u>	<u>2,393,728</u>	<u>3,890,230</u>	<u>9,775,344</u>
Fund balances, end of year	<u>\$ 2,383,299</u>	<u>\$ 7,542,275</u>	<u>\$ 3,758,004</u>	<u>\$ 13,683,578</u>

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, 2008**

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

Net change in fund balances - total governmental funds	\$ 3,908,234
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 depreciation expense exceeded capital outlay.	56,133
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(5,584,630)
Recognition of accounts receivable and deferred revenues is reflected on the full accrual basis within the statement of activities. The Town has determined that the receivables are not available, therefore, the revenues have been deferred within the governmental funds.	26,740
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	825,401
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.	(71,836)
Change in net assets of governmental activities	<u>\$ (839,958)</u>

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 on BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Gross receipts tax	3,909,683	3,913,184	3,690,106	\$(223,078)
Property taxes	579,405	579,405	629,696	50,291
Other state shared taxes	63,621	63,621	71,044	7,423
Franchise tax	409,769	409,769	504,858	95,089
Licenses and permits	352,847	352,846	179,923	(172,923)
Intergovernmental	35,000	35,000	45,792	10,792
Fines and forfeitures	166,486	166,487	177,057	10,570
Charges for services	365,913	328,821	342,916	14,095
State shared gross receipts taxes	4,822,670	4,822,670	4,583,679	(238,991)
State shared gasoline tax	65,498	65,498	65,498	-
Miscellaneous	472,725	509,818	385,554	(124,264)
Total revenues	11,243,617	11,247,119	10,676,123	(570,996)
EXPENDITURES				
<i>General Government:</i>				
Town council				
Personal services	203,807	204,705	198,032	6,673
Operating expenses	511,281	509,746	407,050	102,696
Capital outlay	5,000	5,000	-	5,000
Total town council	720,088	719,451	605,082	114,369
Executive				
Personal services	203,807	724,340	713,804	10,536
Operating expenses	511,281	256,820	140,145	116,675
Capital outlay	5,000	5,000	-	5,000
Total executive	720,088	986,160	853,949	132,211
Finance				
Personal services	433,150	458,269	454,113	4,156
Operating expenses	432,005	418,549	371,997	46,552
Capital outlay	-	-	-	-
Total finance	865,155	876,818	826,110	50,708
Planning and development				
Personal services	526,210	565,455	520,745	44,710
Operating expenses	233,382	233,384	195,314	38,070
Capital outlay	-	-	-	-
Total planning and development	759,592	798,839	716,059	82,780

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 on BUDGETARY BASIS
(continued)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Communications bureau				
Personal services	296,251	276,079	247,740	28,339
Operating expenses	208,819	218,271	216,709	1,562
Capital outlay	5,150	-	-	-
Total communications bureau	<u>510,220</u>	<u>494,350</u>	<u>464,449</u>	<u>29,901</u>
Fleet maintenance				
Personal services	134,854	134,441	133,101	1,340
Operating expenses	86,369	103,612	98,514	5,098
Total fleet maintenance	<u>221,223</u>	<u>238,053</u>	<u>231,615</u>	<u>6,438</u>
Special services				
Personal services	391,268	320,079	307,231	12,848
Operating expenses	236,844	261,720	171,093	90,627
Capital outlay	2,695	-	-	-
Total special services	<u>630,807</u>	<u>581,799</u>	<u>478,324</u>	<u>103,475</u>
Building and maintenance				
Personal services	365,340	382,629	378,647	3,982
Capital outlay	2,867	-	-	-
Operating expenses	148,960	143,983	141,420	2,563
Total building and maintenance	<u>517,167</u>	<u>526,612</u>	<u>520,067</u>	<u>6,545</u>
Airport				
Personal services	95,033	92,730	92,578	152
Operating expenses	46,785	52,375	52,313	62
Capital outlay	-	-	-	-
Total airport	<u>141,818</u>	<u>145,105</u>	<u>144,891</u>	<u>214</u>
Judicial				
Personal services	165,504	166,920	166,750	170
Operating expenses	48,023	46,060	30,156	15,904
Capital outlay	-	-	-	-
Total judicial	<u>213,527</u>	<u>212,980</u>	<u>196,906</u>	<u>16,074</u>
Total general government	<u>5,299,685</u>	<u>5,580,167</u>	<u>5,037,452</u>	<u>542,715</u>

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 on BUDGETARY BASIS
(continued)
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Police				
Personal services	1,829,370	1,824,461	1,772,643	51,818
Operating expenses	<u>299,793</u>	<u>299,793</u>	<u>278,258</u>	<u>21,535</u>
Total police	<u>2,129,163</u>	<u>2,124,254</u>	<u>2,050,901</u>	<u>73,353</u>
Fire				
Personal services	472,978	474,714	467,811	6,903
Operating expenses	180,845	177,845	175,005	2,840
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fire	<u>653,823</u>	<u>652,559</u>	<u>642,816</u>	<u>9,743</u>
Total public safety	<u>2,782,986</u>	<u>2,776,813</u>	<u>2,693,717</u>	<u>83,096</u>
Highways and streets				
Personal services	620,540	609,580	609,538	42
Operating expenses	418,621	402,537	362,974	39,563
Capital outlay	<u>-</u>	<u>5,179</u>	<u>5,179</u>	<u>-</u>
Total highways and streets	<u>1,039,161</u>	<u>1,017,296</u>	<u>977,691</u>	<u>39,605</u>
Culture and recreation				
Library				
Personal services	439,314	438,277	428,773	9,504
Operating expenses	138,616	145,300	119,482	25,818
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total library	<u>577,930</u>	<u>583,577</u>	<u>548,255</u>	<u>35,322</u>
Recreation/aquatics				
Personal services	880,171	817,380	794,944	22,436
Operating expenses	414,228	415,000	307,344	107,656
Capital outlay	<u>-</u>	<u>2,695</u>	<u>455</u>	<u>2,240</u>
Total recreation/aquatics	<u>1,294,399</u>	<u>1,235,075</u>	<u>1,102,743</u>	<u>132,332</u>
Total culture and recreation	<u>1,872,329</u>	<u>1,818,652</u>	<u>1,650,998</u>	<u>167,654</u>
Excess (deficiency) of revenues over expenditures	<u>249,456</u>	<u>54,191</u>	<u>316,265</u>	<u>262,074</u>

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 on BUDGETARY BASIS
(continued)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,643,469)	(1,848,276)	(1,411,041)	437,235
Total other financing sources (uses)	(1,643,469)	(1,848,276)	(1,411,041)	437,235
Net change in fund balances	<u>\$(1,394,013)</u>	<u>\$(1,794,085)</u>	<u>\$(1,094,776)</u>	<u>\$ 699,309</u>
Beginning cash and investments balance	<u>\$ 3,013,873</u>	<u>\$ 3,013,873</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(1,094,776)	
Change in payables			(51,810)	
Change in receivables			11,759	
Change in deferred revenue			<u>26,740</u>	
Net change in fund balances GAAP basis			<u>\$(1,108,087)</u>	

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, 2008**

	<u>Water and Sewer Fund</u>	<u>Landfill Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,725,907	\$ 1,297,621	\$ 757,966	\$ 3,781,494
Investments	1,463,426	-	149,100	1,612,526
Accounts receivable (net of allowance for uncollectible)	354,738	32,926	130,967	518,631
Due from other funds	-	97,000	-	97,000
Total current assets	<u>3,544,071</u>	<u>1,427,547</u>	<u>1,038,033</u>	<u>6,009,651</u>
Restricted assets:				
Customers' meter deposits	226,705	-	-	226,705
Debt payments and reserves	314,028	407,567	-	721,595
Landfill improvements, closures and solid waste issues	-	378,865	-	378,865
Total restricted assets	<u>540,733</u>	<u>786,432</u>	<u>-</u>	<u>1,327,165</u>
Capital assets:				
Non-depreciable assets:				
Land	-	262,422	-	262,422
Construction in progress	2,670,851	712,931	-	3,383,782
Depreciable assets:				
Property, plant and equipment	25,255,656	2,273,422	416,514	27,945,592
Less accumulated depreciation	(10,687,136)	(581,351)	(347,025)	(11,615,512)
Total capital assets	<u>17,239,371</u>	<u>2,667,424</u>	<u>69,489</u>	<u>19,976,284</u>
Total assets	<u>21,324,175</u>	<u>4,881,403</u>	<u>1,107,522</u>	<u>27,313,100</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	256,191	238,873	83,372	578,436
Accrued liabilities	23,804	9,712	6,286	39,802
Due to other funds	4,672	10,034	97,000	111,706
Current portion long-term debt	81,558	151,425	-	232,983
Total current liabilities	<u>366,225</u>	<u>410,044</u>	<u>186,658</u>	<u>962,927</u>
Long term liabilities:				
Utility meter deposits	226,705	-	-	226,705
Compensated absences	39,630	24,675	1,738	66,043
Landfill closure and post closing liability	-	235,575	-	235,575
Bonds and loans payable less current portion	3,007,663	1,289,743	-	4,297,406
Total long-term liabilities	<u>3,273,998</u>	<u>1,549,993</u>	<u>1,738</u>	<u>4,825,729</u>
Total liabilities	<u>3,640,223</u>	<u>1,960,037</u>	<u>188,396</u>	<u>5,788,656</u>
Net Assets				
Invested in capital assets, net of related debt	14,150,150	1,226,256	69,489	15,445,895
Restricted for debt service	314,028	407,567	-	721,595
Unrestricted	3,219,774	1,287,543	849,637	5,356,954
Total net assets	<u>\$ 17,683,952</u>	<u>\$ 2,921,366</u>	<u>\$ 919,126</u>	<u>\$ 21,524,444</u>

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, 2008**

	<u>Water and Sewer Fund</u>	<u>Landfill Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues:				
Charges for services	\$ 2,179,652	\$ 1,252,531	\$ 1,083,386	\$ 4,515,569
Other revenue	<u>253,751</u>	<u>-</u>	<u>101,123</u>	<u>354,874</u>
Total operating revenues	<u>2,433,403</u>	<u>1,252,531</u>	<u>1,184,509</u>	<u>4,870,443</u>
Operating Expenses:				
Personnel services	595,748	304,158	74,714	974,620
Other	<u>2,464,521</u>	<u>632,176</u>	<u>975,054</u>	<u>4,071,751</u>
Total operating expenses	<u>3,060,269</u>	<u>936,334</u>	<u>1,049,768</u>	<u>5,046,371</u>
Operating income (loss)	<u>(626,866)</u>	<u>316,197</u>	<u>134,741</u>	<u>(175,928)</u>
Non-operating revenues (expenses):				
Interest expense	(156,473)	(13,390)	-	(169,863)
Interest income	137,181	37,788	-	174,969
Sales tax	462,538	-	-	462,538
Federal grants	<u>1,255,068</u>	<u>-</u>	<u>-</u>	<u>1,255,068</u>
Total non-operating revenues (expenses)	<u>1,698,314</u>	<u>24,398</u>	<u>-</u>	<u>1,722,712</u>
Change in net assets	1,071,448	340,595	134,741	1,546,784
Net assets, beginning of year	<u>16,612,504</u>	<u>2,580,771</u>	<u>784,385</u>	<u>19,977,660</u>
Net assets, end of year	<u>\$ 17,683,952</u>	<u>\$ 2,921,366</u>	<u>\$ 919,126</u>	<u>\$ 21,524,444</u>

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, 2008**

	<u>Water and Sewer Fund</u>	<u>Landfill Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities				
Cash received from customers	\$ 2,779,383	\$ 1,244,056	\$ 1,191,435	\$ 5,214,874
Cash payments to employees for services	(611,787)	(299,637)	(74,919)	(986,343)
Cash payments to suppliers for goods and services	<u>(1,849,371)</u>	<u>(328,419)</u>	<u>(1,076,437)</u>	<u>(3,254,227)</u>
Net cash provided by operating activities	<u>318,225</u>	<u>616,000</u>	<u>40,079</u>	<u>974,304</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	3,387	-	3,387
Transfers to other funds	<u>(6,355)</u>	<u>-</u>	<u>(568)</u>	<u>(6,923)</u>
Net cash provided by capital and related activities	<u>(6,355)</u>	<u>3,387</u>	<u>(568)</u>	<u>(3,536)</u>
Cash flows from capital and related financing activities				
(Acquisition) disposition of capital assets	(2,005,248)	(760,255)	-	(2,765,503)
Grant proceeds	1,255,068	-	-	1,255,068
Receipt of tax	462,538	-	-	462,538
Debt proceeds	-	1,000,000	-	1,000,000
Principal paid on debt	(79,088)	(67,274)	-	(146,362)
Interest paid on debt	<u>(156,473)</u>	<u>(13,390)</u>	<u>-</u>	<u>(169,863)</u>
Net cash provided by capital financing activities	<u>(523,203)</u>	<u>159,081</u>	<u>-</u>	<u>(364,122)</u>
Cash flows from investing activities				
Interest on investments	<u>137,181</u>	<u>37,788</u>	<u>-</u>	<u>174,969</u>
Net cash provided by capital and related activities	<u>137,181</u>	<u>37,788</u>	<u>-</u>	<u>174,969</u>
Net increase (decrease) in cash and cash equivalents	(74,152)	816,256	39,511	781,615
Cash and equivalents beginning of year	<u>3,804,218</u>	<u>1,267,797</u>	<u>867,555</u>	<u>5,939,570</u>
Cash and equivalents end of year	<u>\$ 3,730,066</u>	<u>\$ 2,084,053</u>	<u>\$ 907,066</u>	<u>\$ 6,721,185</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$(626,866)	\$ 316,197	\$ 134,741	\$(175,928)
Adjustments to reconcile operating income to net cash provided (used) in operating activities:				
Depreciation expense	861,579	113,829	4,005	979,413
Provision for bad debt	37,698	-	-	37,698
Decrease (increase) in customer receivable	292,537	(8,475)	6,926	290,988
Increase (decrease) in accounts payable	(246,429)	189,928	(105,388)	(161,889)
Increase (decrease) in accrued liabilities	(1,673)	419	(860)	(2,114)
Increase (decrease) in customer deposits	15,745	-	-	15,745
Increase (decrease) in compensated absences	<u>(14,366)</u>	<u>4,102</u>	<u>655</u>	<u>(9,609)</u>
Net cash provided by operating activities	<u>\$ 318,225</u>	<u>\$ 616,000</u>	<u>\$ 40,079</u>	<u>\$ 974,304</u>

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, 2008**

ASSETS

Cash	\$ 1,950
Investments	<u>61,500</u>
Total assets	\$ <u>63,450</u>

LIABILITIES

Deposits payable	\$ 23,700
Accounts receivable	-
Due to outside entities	<u>39,750</u>
Total liabilities	\$ <u>63,450</u>

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

**STATE OF NEW MEXICO
TOWN OF TAOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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. Sales, franchise, lodgers', cigarette, gas and other similar taxes are recognized as revenue when the underlying exchange takes place. 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.

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 funds:

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 **Capital Projects Fund** was created to accumulate revenues and other financing sources for the purpose of financing general-purpose capital projects.

The Town reports the following major proprietary funds:

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

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.

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.

Additionally, the Town reports the following fund types:

The **Fiduciary Fund** accounts for resources held for others. Agency funds are custodial in nature (assets equal liabilities), do not present results of operations and are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Town holds for others in an agency capacity.

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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

(continued)

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.

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.

Deferred Revenues

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability with the balance sheet

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 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 \$5,000 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. The Town has retroactively reported all major general infrastructure assets.

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:

<u>Assets</u>	<u>Years</u>
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 personal leave at a rate of 22 to 27 days per year based on years of service. Employees can carryover unused personal leave each year with a cap of 500 hours. On an appointed day each year employees may sell back-unused personal leave based on the following schedule.

<u>Hours</u>	<u>Percent of hourly salary</u>
200 to 299	25%
300 to 399	50%
400 to 499	75%
500 and above	100%

Once the employee achieves the 500 hour cap, they can only sell back a total of 136 hours annually; the other 80 hours accrued annually must be used by December 31 or forfeited. At retirement or separation all leave may be sold back at 100% of hourly salary. All personal leave is accrued when incurred in the government-wide and proprietary fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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 difference are as follows:

Bonds, loans and contracts payable - current	\$ 879,333
Bonds, loans and contracts payable - long-term	7,829,172
Bonds premium (to be amortized over life of bond)	68,874
Less: Bond issue costs (to be amortized over life of bond)	(179,586)
Accrued interest payable	48,788
Compensated absences	<u>784,354</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at - net assets - governmental activities	<u>\$ 9,430,935</u>

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 difference are as follows:

Capital outlay	\$ 3,600,779
Depreciation expense	<u>(3,544,646)</u>
Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net assets of government activities	<u>\$ 56,133</u>

Another element of that reconciliation explains that, *the issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.* The details of this difference are as follows:

Proceeds from issuance of debt	\$ 6,395,000
Proceeds from debt issuance premium	70,842
Bond issue costs	(184,717)
Principal payments of long-term debt	<u>(696,495)</u>
Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net assets of government activities	<u>\$ 5,584,630</u>

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 difference are as follows:

Donations of capital assets increase net assets on the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 825,401
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 825,401</u>

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 difference are as follows:

Amortization of bond issue costs	\$ (5,131)
Amortization of bond premium	1,968
Compensated absences - increase	(49,339)
Accrued interest - increase	<u>(19,334)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (71,836)</u>

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 resolution.
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)

Cash, Cash Equivalents

	<u>Balance</u> <u>Per Bank</u> <u>June 30, 2008</u>	<u>Add</u> <u>Deposits</u> <u>In Transit</u>	<u>Less</u> <u>Outstanding</u> <u>Checks</u>	<u>Adjustments</u>	<u>Balance</u> <u>Per Books</u> <u>June 30, 2008</u>
First Community Bank					
Checking Accounts					
Water Sewer System Income Fund	3,392,845	-	18,720	253	3,374,378
Clearing Account	525,685	-	525,685	29	29
Utility Improvement Fund	33,815	-	-	-	33,815
Utility Construction Fund	42,294	-	-	-	42,294
Town Debt Service Fund	338	-	-	-	338
Judicial Bond Fund Municipal Court	7,363	-	-	-	7,363
Certificate of Deposit	170,500	-	-	-	170,500
Certificate of Deposit	250,000	-	-	-	250,000
Certificate of Deposit	195,500	-	-	-	195,500
Certificate of Deposit	499,000	-	-	-	499,000
Certificate of Deposit	235,000	-	-	-	235,000
Centinel Bank					
Checking Accounts					
General Fund	469,279	-	-	(116)	469,163
Water Waste Water Improvement	384,409	-	46,596	-	337,813
ACH Transfer Account	150	-	-	(50)	100
Payroll Clearing Account	18	-	-	(18)	-
1994 GRT RB Acquisition Fund	47,315	-	6,996	-	40,319
HUD Acct-Dom. Violence	1	-	-	-	1
Certificate of Deposit	177,500	-	-	-	177,500
Total Cash in Banks	<u>\$ 6,431,012</u>	<u>\$ -</u>	<u>\$ 597,997</u>	<u>\$ 98</u>	5,833,113
Funds Held by the New Mexico Finance Authority:					
Bank of Albuquerque US Treasury Fund Accounts					1,209,148
Loan reserve accounts					55,769
State Treasurers Office					12,779,904
Plus Cash on Hand					1,500
Total Cash Per Books					<u>\$ 19,879,434</u>
As Reported in Financial Statements:					
Equity in Cash:					
Cash					\$ 4,543,867
Bank overdrafts					(225,552)
Restricted Cash					1,327,165
Investments					14,170,504
Agency Fund					63,450
					<u>\$ 19,879,434</u>

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 statutes 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 statutes, 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, 2008 the Town had \$7,640,160 in financial institutions and \$12,779,904 invested in the New Mexico State Treasurer's Local Government Pooled Investment.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)
Pledged Collateral

	First Community Bank	Centinel Bank	Total
Deposit	5,352,340	1,078,672	6,431,012
FDIC	(200,000)	(200,000)	(400,000)
Total uninsured public funds	5,152,340	878,672	6,031,012
Collateral pledge:			
Federal Home Loan Bank of Dallas			
8500 Freepoint Parkway South, Irving,			
TX			
Federal Home Loan Bank - CUSIP 31339YVV1, 3.38%, 7/21/08	200,090	-	200,090
Federal Home Loan Bank - CUSIP 31339YVV1, 3.38%, 7/21/08	50,023	-	50,023
Federal Home Loan Bank - CUSIP 3133XOLJ6, 3.75%, 8/15/08	60,087	-	60,087
Federal Home Loan Bank - CUSIP 3133X2BZ7 3.63%, 11/14/08	75,277	-	75,277
Federal Home Loan Bank - CUSIP 3133X2BZ7 3.63%, 11/14/08	70,259	-	70,259
Federal Home Loan Bank - CUSIP 31339YB43 3.23%, 1/16/09	350,097	-	350,097
Federal Home Loan Bank - CUSIP 3133X4ZC8, 3.00%, 4/15/09	736,061	-	736,061
Federal Home Loan Bank - CUSIP 3133X4ZC8, 3.00%, 4/15/09	25,036	-	25,036
Federal Home Loan Bank - CUSIP 3133X8CS9, 3.88%, 8/14/09	767,443	-	767,443
FNR 2003-64 YA - CUSIP 31393DKWO, 3.00%, 5/25/23	379,363	-	379,363
Texas Independent Bank			
350 Phelps Court, Irving, TX			
GNMA 780373 - CUSIP 36225AMW7, 7.00%, 12/15/23	-	80,020	80,020
GNMA 80342 - CUSIP 36225CLY0, 6.50%, 11/20/29	-	35,097	35,097
Santa Rosa GO - CUSIP 802751CK1, 4.60%, 07/01/11	-	109,119	109,119
FHLB - CUSIP M31336TDO, 5.49%, 12/22/08	-	101,313	101,313
FHLB - CUSIP 3133M8AU8, 5.82%, 03/30/09	-	153,244	153,244
FHLB - CUSIP 3133M8AU8, 5.82%, 03/30/09	-	102,162	102,162
FHLB - CUSIP 3133M8AU8, 5.82%, 03/30/09	-	255,406	255,406
FHLB - CUSIP 3133M8AU8, 5.82%, 03/30/09	-	-	-
FHLB - CUSIP 3133M8AU8, 5.82%, 03/30/09	-	-	-
FHLB - CUSIP 3133M86T6, 5.95%, 03/16/09	-	-	-
FHLB - CUSIP 3133M86T6, 5.95%, 03/16/09	-	-	-
FHLB - CUSIP 3133M86T6, 5.95%, 03/16/09	-	-	-
	2,713,736	836,361	3,550,097
Uninsured and uncollateralized	<u>\$ 2,438,604</u>	<u>\$ 42,311</u>	<u>\$ 2,480,915</u>

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, 2008, \$6,031,012 of the Town's bank balance of \$6,431,012 was exposed to custodial credit risk as follows:

	First Community Bank	Centinel Bank	Total
Uninsured and uncollateralized	\$ 2,438,604	\$ 42,311	\$ 2,480,915
Uninsured and collateral held by pledging bank's trust department in the Bank's name	<u>2,713,736</u>	<u>836,361</u>	<u>3,550,097</u>
Total	<u>\$ 5,152,340</u>	<u>\$ 878,672</u>	<u>\$ 6,031,012</u>

Also at June 30, 2008 the Town had \$1,209,148 held in AP US Treasury Notes, in connection with New Mexico Finance Authority loans. One for wastewater project and the other's 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, 2008 these investments were:

Bank of Albuquerque

NMFA (Wastewater) Reserves	\$ 61,898
NMFA (Landfill) Reserves	137,644
NMFA (Landfill) Construction	7,347
NMFA (Landfill) Reserves	100,226
NMFA (Landfill) Construction	<u>902,033</u>
Total	<u>\$ 1,209,148</u>

Additionally, two debt service accounts are managed by the New Mexico Finance Authority (NMFA), on deposit with the State Treasurer's office, in NMFA's name for the benefit of the Town. These accounts are exposed to custodial credit risk in the amount of \$55,769.

Public Project Revolving Fund Program	\$ 20,758
2001A W&S Reserve	14,842
2004 Taos Landfill Reserve	<u>20,169</u>
Total	<u>\$ 55,769</u>

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. The Pool is AAAM rated with a 46-day weighted average maturity, with an account balance of \$12,779,904 as of June 30, 2008.

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:

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Non-Major</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Landfill</u>	
Receivables:							
Customer Accounts	-	-	-	583,492	147,864	32,926	764,282
Property Taxes	103,824	-	-	-	-	-	103,824
Franchise Taxes	78,010	-	-	-	-	-	78,010
Gross Receipts Taxes	651,874	54,933	73,244	36,622	-	-	816,673
Gas Taxes	6,252	-	6,058	-	-	-	12,310
Cigarette Taxes	-	-	1,456	-	-	-	1,456
Lodgers Taxes	-	-	253,248	-	-	-	253,248
Motor Vehicle Fees	5,452	-	-	-	-	-	5,452
Other governments	-	552,103	284,101	135,222	-	-	971,426
Gross receivables	845,412	607,036	618,107	755,336	147,864	32,926	3,006,681
Less: allowance for uncollectible	-	-	-	400,598	16,897	-	417,495
Net total receivables	<u>\$ 845,412</u>	<u>\$ 607,036</u>	<u>\$ 618,107</u>	<u>\$ 354,738</u>	<u>\$ 130,967</u>	<u>\$ 32,926</u>	<u>\$ 2,589,186</u>

Reserved Fund Balance/Restricted Net Assets

Reserved for Capital Projects – Capital Projects Fund, Airport Construction, 1994 GRT Revenue Bond, Enhanced 911, 1999 Gas Construction – The amounts are to be used for capital project expenditures as restricted by the grants and bond issues. The restricted amounts of \$8,994,602 are shown as reserved in the government-wide statements.

Restricted for Debt Service – All Debt Service Funds – The reserve of \$823,636 is to be used for future debt service payments and is restricted by the debt agreement. This amount is restricted in the government-wide statements.

Restricted for Debt Services – Proprietary Funds – The reserve of \$721,595 represents the amount to be used for future debt service payments as required by the debt agreements.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 5,117,635	\$ 825,401	\$ -	\$ -	\$ 5,943,036
Construction in progress	520,846	2,080,552	-	(48,200)	2,553,198
Total capital assets not being depreciated	<u>5,638,481</u>	<u>2,905,953</u>	<u>-</u>	<u>(48,200)</u>	<u>8,496,234</u>
Capital assets, being depreciated:					
Land improvements	4,452,972	37,505	-	-	4,490,477
Buildings and improvements	21,948,369	162,749	-	-	22,111,118
Machinery and equipment	12,825,749	1,108,420	(59,300)	48,200	13,923,069
Infrastructure	45,331,546	211,553	-	-	45,543,099
Total capital assets being depreciated	<u>84,558,636</u>	<u>1,520,227</u>	<u>(59,300)</u>	<u>48,200</u>	<u>86,067,763</u>
Less accumulated depreciation:					
Land improvements	2,620,383	243,737	-	-	2,864,120
Buildings and improvements	8,287,067	723,931	-	-	9,010,998
Machinery and equipment	7,898,516	1,076,307	59,300	-	8,915,523
Infrastructure	24,506,661	1,500,671	-	-	26,007,332
Total accumulated depreciation	<u>43,312,627</u>	<u>3,544,646</u>	<u>59,300</u>	<u>-</u>	<u>46,797,973</u>
Total capital assets being depreciated, net	<u>41,246,009</u>	<u>(2,024,419)</u>	<u>-</u>	<u>48,200</u>	<u>39,269,790</u>
Governmental activities capital assets, net	<u>\$ 46,884,490</u>	<u>\$ 881,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,766,024</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 262,422	\$ -	\$ -	\$ -	\$ 262,422
Construction in progress	2,293,421	1,466,093	-	(375,732)	3,383,782
Total capital assets not being depreciated	<u>2,555,843</u>	<u>1,466,093</u>	<u>-</u>	<u>(375,732)</u>	<u>3,646,204</u>
Capital assets, being depreciated:					
Land improvements	97,515	7,380	-	-	104,895
Buildings and improvements	3,976,878	-	-	-	3,976,878
Machinery and equipment	7,990,569	261,002	-	-	8,251,571
Infrastructure	14,205,488	1,031,028	-	375,732	15,612,248
Total capital assets being depreciated	<u>26,270,450</u>	<u>1,299,410</u>	<u>-</u>	<u>375,732</u>	<u>27,945,592</u>
Less accumulated depreciation:					
Land improvements	63,516	7,486	-	-	71,002
Buildings and improvements	1,399,147	135,410	-	-	1,534,557
Machinery and equipment	4,890,146	297,522	-	-	5,187,668
Infrastructure	4,283,290	538,995	-	-	4,822,285
Total accumulated depreciation	<u>10,636,099</u>	<u>979,413</u>	<u>-</u>	<u>-</u>	<u>11,615,512</u>
Total capital assets being depreciated, net	<u>15,634,351</u>	<u>319,997</u>	<u>-</u>	<u>375,732</u>	<u>16,330,080</u>
Business-type activities capital assets, net	<u>\$ 18,190,194</u>	<u>\$ 1,786,090</u>	<u>\$ -</u>	<u>\$ 375,732</u>	<u>\$ 19,976,284</u>
Governmental activities –capital outlay		\$3,600,779			
Donated land		825,401			
Governmental activities total increase to capital assets		<u>\$4,426,180</u>			

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	\$ 1,233,410
Public safety	480,979
Highways and streets	1,401,386
Culture and recreation	<u>428,871</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,544,646</u>
Business-type Activities:	
Water and sewer	\$ 861,579
Solid waste	4,005
Landfill	<u>113,829</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 979,413</u>

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:

	<u>Transfers out</u>
	<u>General</u>
Transfers in:	
Capital Projects	\$ 479,453
Non-major	<u>931,588</u>
	<u>\$ 1,411,041</u>

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Landfill	Solid waste fund	\$ 97,000
General fund	Water and sewer fund	4,672
General fund	Landfill	<u>10,034</u>

Accrued Liabilities:

Accrued liabilities at June 30, 2008, consisted of the following:

	<u>Government</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Accrued salaries & payroll liabilities	\$ 269,133	\$ 26,873
Sales tax payable	<u>1,437</u>	<u>12,929</u>
Total	<u>\$ 270,570</u>	<u>\$ 39,802</u>

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 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.

Gross Receipts Tax Revenue Bonds dated January 30, 2008, Series 2008 were issued in the amount of \$6,395,000 to provide funds for the purpose of constructing and improvements to the town administration building. Interest is to be paid semi-annually on December 1 and June 1. The bonds are secured by gross receipts tax revenue of the Town.

<u>Series</u>	<u>Issue</u>	<u>Maturity</u>	<u>Rate</u>	<u>Outstanding</u>
Revenue Bonds:				
Series 2001 Gross Receipts Tax	\$ 4,125,000	6/1/2009	3.5% - 5.25%	\$ 470,000
Series 1999 Gasoline Tax	1,955,000	10/1/2012	3.6% - 4.75%	855,000
Series 2008 Gross Receipts Tax	6,395,000	6/1/2026	4% - 5%	6,395,000
				<u>\$ 7,720,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2009	\$ 775,000	\$ 345,028
2010	400,000	288,568
2011	415,000	271,577
2012	435,000	253,872
2013	450,000	235,212
2014 - 2018	1,570,000	961,275
2019 - 2023	2,160,000	589,365
2024 - 2026	1,515,000	128,940
Total	<u>\$ 7,720,000</u>	<u>\$ 3,073,837</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)

LONG TERM DEBT:

Governmental Activities Loans Payable:

New Mexico Finance Authority Note, dated April 13, 2007 in the amount of \$954,000 for the purpose of acquiring land for a public recreation building. Interest is to be paid semi-annually May 1 and November 1. The loan is secured by the gross receipts tax revenue of the Town.

<u>Loans</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
NMFA- Land Loan	\$ 954,000	5/1/2017	3.50%	\$ 880,505
				<u>\$ 880,505</u>

Debt Service requirements for the Governmental loan are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 86,333	\$ 24,673
2010	89,293	22,437
2011	91,860	20,100
2012	94,540	17,656
2013	97,362	15,077
2014-2017	<u>421,117</u>	<u>31,727</u>
	<u>\$ 880,505</u>	<u>\$ 131,670</u>

Governmental Activities Contracts Payable:

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

Future scheduled requirements are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 18,000	\$ -	\$ 18,000
2010	18,000	-	18,000
2011	18,000	-	18,000
2012	18,000	-	18,000
2013	18,000	-	18,000
2014-2014	<u>18,000</u>	<u>-</u>	<u>18,000</u>
	<u>\$ 108,000</u>	<u>\$ -</u>	<u>\$ 108,000</u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT:

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.

<u>Series</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Revenue Bonds:				
Series 1993A Water & Sewer	\$ 635,600	3/16/2033	0.05625	\$ 537,600
Series 1993B Water & Sewer	123,000	3/16/2033	0.055	105,000
Series 1995A Utility	1,315,000	12/5/2035	0.0513	1,145,000
Series 1998B Water & Sewer	475,000	1/1/2038	0.0475	429,000
				<u>\$ 2,216,600</u>

4. DETAILED NOTES ON ALL FUNDS (Continued)
LONG TERM DEBT: (continued)

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, 2007 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.

The Town borrowed \$1,000,000 from the New Mexico Finance Authority on April 11, 2008 for the construction of two new cells for the existing landfill. The 10-year loan requires semi-annual interest payments at the rate of 2.911% and annual principal payments. The note is secured by, and payable exclusively from the revenues of the Regional Landfill System.

<u>Loans</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Series 2000A Water & Sewer	\$ 250,000	12/18/2040	5.00%	\$ 234,000
Taos Regional Landfill	1,372,684	5/1/2014	0.790% - 3.34%	638,621
Series 2001A Water and Sewer	950,391	7/1/2020	4.16% - 5.410%	441,168
Series 2008A PPRF-Landfill	1,000,000	4/11/2008	2.91%	1,000,000
				<u>\$ 2,313,789</u>

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, 2008 follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 232,983	\$ 200,538
2010	244,791	192,118
2011	251,349	184,356
2012	259,353	176,335
2013	268,851	167,627
2014-2018	1,197,138	698,112
2019-2023	516,324	488,371
2024-2028	484,000	360,516
2029-2033	636,600	223,123
2034-2038	393,000	68,986
2039-2041	46,000	5,050
	<u>\$ 4,530,389</u>	<u>\$ 2,765,132</u>

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue Bond	\$ 1,930,000	\$ 6,395,000	\$ 605,000	\$ 7,720,000	\$ 775,000
Loan and Contracts Payable	1,080,000	-	91,495	988,505	104,333
Compensated absences	<u>735,015</u>	<u>1,281,069</u>	<u>1,231,730</u>	<u>784,354</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 3,745,015</u>	<u>\$ 7,676,069</u>	<u>\$ 1,928,225</u>	<u>\$ 9,492,859</u>	<u>\$ 879,333</u>
Business-type activities					
Revenue Bonds	\$ 2,252,600	-	\$ 36,000	\$ 2,216,600	\$ 37,000
Loans Payable	1,424,151	1,000,000	110,362	2,313,789	195,983
Compensated Absences	<u>75,652</u>	<u>145,439</u>	<u>155,048</u>	<u>66,043</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 3,752,403</u>	<u>\$ 1,145,439</u>	<u>\$ 301,410</u>	<u>\$ 4,596,432</u>	<u>\$ 232,983</u>

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, 2008, 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, 2008, had transferred \$378,865. The cumulative contribution is reported as restricted assets on the balance sheet.

4. **DETAILED NOTES ON ALL FUNDS** (Continued)

LONG TERM DEBT: (continued)

Restricted Assets

The balances of the restricted asset accounts are as follows:

	Enterprise Funds
Meter deposits	\$ 226,705
Debt requirements	721,595
Landfill closure and solid waste reserve	<u>378,865</u>
Total restricted assets	<u>\$ 1,327,165</u>

Pension Plan – Public Employees Retirement Association

Plan Description. 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. This report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute a 9.15 percentage of their gross salary. The Town is required to contribute 13.15 to 28.3 percent of the gross covered salary. The contribution requirements of plan members and the Town of Taos are established in State statute 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 fiscal years ending June 30, 2008, 2007 and 2006 were \$640,410, \$581,742 and \$503,150, respectively, which equal the amount of the required contributions for each year.

4. DETAILED NOTES ON ALL FUNDS (Continued)

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 amounts 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.

Post – Employment Benefits – State Retiree Health Care Plan

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA on the person's behalf, unless that person retires on or before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former

4. DETAILED NOTES ON ALL FUNDS (Continued)

Post - Employment Benefits – State Retiree Health Care Plan: (Continued)

governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town of Taos contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$75,902, \$66,225, \$64,735, respectively, which equal the required contributions for each year.

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.

Deficit Fund Equity

The Civic Center Fund has a deficit fund balance of \$1,410 as of June 30, 2008. It is anticipated that the deficit will be funded by future increases in revenue or transfers from the General Fund.

4. DETAILED NOTES ON ALL FUNDS (Continued)

Joint Powers 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 \$480,000 with the Town providing \$219,494. The Town contributed \$302,170 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 \$735,895 during 2008. The audit responsibility lies with the Town. The agreement is for 50 years.

The Town has entered into a mutual agreement with the Village of Taos Ski Valley to provide a bus line route between the Town and the Village on December 13, 2007. The Village agrees to forward the sum of \$25,000 to the Town as partial payment of the cost of service. The mutual agreement was for a four month period ending April 6th 2008.

Contingencies

The Town and the Taos Pueblo entered into an agreement dated December 16, 1983 that called for the Town to receive and treat sewage from the Pueblo for a 40 year period. Two major issues have been disputed by both parties over the years. The Town has acknowledged that the Pueblo contributed money in excess of what was due for its participation in the 1995 expansion of the Town's treatment plant. The Pueblo has disputed the sewer service fees charged by the Town. The Town has made an offer to pay the Pueblo a settlement, no longer bill the Pueblo for any disputed past due amounts and for the parties to negotiate a new sewer rate to settle these issues. The parties are still in negotiations. The Town has fully reserved the past due sewer charges owed by the Pueblo.

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 Statute Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

RECREATION FUND – To account for establishing and maintaining recreational programs 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 from 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 from 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.

1993 RECEIPTS TAX REVENUE – This fund was created to account for tax revenue earmarked for the debt repayment.

2007 NMFA LAND PURCHASE FUND – This fund was created to be credited with transfers from the General Fund for the purpose of accumulating monies for payment of principal and interest on the debt for repayment of land purchase.

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.

2008 GROSS RECEIPTS TAX REVENUE BOND RETIREMENT – This fund was created for the purpose of repayment of the bond issue from the 1.225% distribution of State Shared Gross Receipts Tax revenues.

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.

DEBT SERVICE FUNDS

(Continued)

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.

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 of affordable housing.

ENHANCED 911 FUND – This fund is created to receive grants and transfers for the purpose of expanding benefits of the basic 911 emergency telephone number to achieve faster response time.

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, 2008**

	<u>Special Revenue</u>				
	<u>Fire Protection Fund #21</u>	<u>Recreation Fund #22</u>	<u>Lodgers Tax Fund #23 & 24</u>	<u>Local Government Correction Fund #25</u>	<u>Law Enforcement Fund #26</u>
ASSETS					
Cash	\$ 1,658	\$ 1,819	\$ -	\$ 11,321	\$ 359
Investments	259,220	72,000	44,750	52,000	-
Accounts receivable	-	1,456	253,248	-	-
Total assets	<u>\$ 260,878</u>	<u>\$ 75,275</u>	<u>\$ 297,998</u>	<u>\$ 63,321</u>	<u>\$ 359</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ -	\$ -	\$ 51,471	\$ -	\$ -
Deferred revenue	-	-	141,109	-	-
Accounts payable	308	59	11,125	6,600	353
Accrued liabilities	-	-	188	-	-
Total liabilities	<u>308</u>	<u>59</u>	<u>203,893</u>	<u>6,600</u>	<u>353</u>
Fund balances:					
Fund balances:					
Reserved for swimming pool	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-
Unreserved and undesignated	<u>260,570</u>	<u>75,216</u>	<u>94,105</u>	<u>56,721</u>	<u>6</u>
Total fund balances	<u>260,570</u>	<u>75,216</u>	<u>94,105</u>	<u>56,721</u>	<u>6</u>
Total liabilities and fund balances	<u>\$ 260,878</u>	<u>\$ 75,275</u>	<u>\$ 297,998</u>	<u>\$ 63,321</u>	<u>\$ 359</u>

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

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
\$ 26,880	\$ 12,196	\$ 23,802	\$ -	\$ -	\$ 31,700	\$ -
2,000	322,000	-	-	-	217,000	-
-	12,747	16,248	6,058	73,244	-	-
<u>\$ 28,880</u>	<u>\$ 346,943</u>	<u>\$ 40,050</u>	<u>\$ 6,058</u>	<u>\$ 73,244</u>	<u>\$ 248,700</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
13,371	20,251	13,041	-	-	4,813	-
16,919	14	11,303	-	-	18,859	-
<u>30,290</u>	<u>20,265</u>	<u>24,344</u>	<u>-</u>	<u>-</u>	<u>23,672</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,410)	326,678	15,706	6,058	73,244	225,028	-
(1,410)	326,678	15,706	6,058	73,244	225,028	-
<u>\$ 28,880</u>	<u>\$ 346,943</u>	<u>\$ 40,050</u>	<u>\$ 6,058</u>	<u>\$ 73,244</u>	<u>\$ 248,700</u>	<u>\$ -</u>

(Continued)

**STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue	Debt Service			
	Total	1989 Gas Tax Reserve Fund #46	1993 Receipts Tax Revenue Fund	2007 NMFA Land Purchase Fund #47	1995 Gross Receipts Tax Acquisition Retirement
ASSETS					
Cash	\$ 109,735	\$ -	\$ -	\$ 30,888	\$ -
Investments	968,970	195,500	-	-	-
Accounts receivable	363,001	-	-	-	-
Total assets	\$ 1,441,706	\$ 195,500	\$ -	\$ 30,888	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ 51,471	\$ -	\$ -	\$ -	\$ -
Deferred revenue	141,109	-	-	-	-
Accounts payable	69,921	-	-	-	-
Accrued liabilities	47,283	-	-	-	-
Total liabilities	309,784	-	-	-	-
Fund balances:					
Fund balances:					
Reserved for swimming pool	-	-	-	-	-
Reserved for debt service	-	195,500	-	30,888	-
Reserved for capital projects	-	-	-	-	-
Unreserved and undesignated	1,131,922	-	-	-	-
Total fund balances	1,131,922	195,500	-	30,888	-
Total liabilities and fund balances	\$ 1,441,706	\$ 195,500	\$ -	\$ 30,888	\$ -

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

**STATE OF NEW MEXICO
TOWN OF TAOS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

Capital Projects

	Airport Construction Fund #52	1994 GRT Revenue Bond Acquisition #54	Enhanced 911 Fund #53	Domestic Violence Shelter Fund #28	Facilities Improvements Fund # 50
ASSETS					
Cash	\$ 1,858	\$ 40,348	\$ 309	\$ 1	\$ -
Investments	56,000	841,183	25,000	-	80,000
Accounts receivable	46,177	-	-	525	143,436
Total assets	\$ 104,035	\$ 881,531	\$ 25,309	\$ 526	\$ 223,436
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ -	\$ -	\$ -	\$ -	\$ 129,371
Deferred revenue	-	-	-	-	-
Accounts payable	46,992	30,370	-	525	1,559
Accrued liabilities	-	-	-	-	-
Total liabilities	46,992	30,370	-	525	130,930
Fund balances:					
Fund balances:					
Reserved for swimming pool	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	57,043	851,161	25,309	1	-
Unreserved and undesignated	-	-	-	-	92,506
Total fund balances	57,043	851,161	25,309	1	92,506
Total liabilities and fund balances	\$ 104,035	\$ 881,531	\$ 25,309	\$ 526	\$ 223,436

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

Capital Projects

Vehicle Replacement Fund #54	1999 Gas Construction Fund #59	Total	Nonmajor Governmental Funds
\$ 2,613	\$ -	\$ 45,129	\$ 200,000
255,000	505,555	1,762,738	3,510,208
-	64,968	255,106	618,107
<u>\$ 257,613</u>	<u>\$ 570,523</u>	<u>\$ 2,062,973</u>	<u>\$ 4,328,315</u>
\$ -	\$ 44,710	\$ 174,081	\$ 225,552
-	-	-	141,109
-	7,000	86,446	156,367
-	-	-	47,283
<u>-</u>	<u>51,710</u>	<u>260,527</u>	<u>570,311</u>
-	-	-	-
-	-	-	823,636
-	518,813	1,452,327	1,452,327
<u>257,613</u>	<u>-</u>	<u>350,119</u>	<u>1,482,041</u>
<u>257,613</u>	<u>518,813</u>	<u>1,802,446</u>	<u>3,758,004</u>
<u>\$ 257,613</u>	<u>\$ 570,523</u>	<u>\$ 2,062,973</u>	<u>\$ 4,328,315</u>

(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, 2008**

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:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Lodgers' tax	-	-	947,126	-	-
Other state shared taxes	-	18,973	-	-	-
Intergovernmental	188,280	-	-	-	33,200
Fines and forfeitures	-	-	-	43,844	-
Charges for services	-	-	-	-	-
Miscellaneous	-	11,430	20,393	-	-
Total revenues	188,280	30,403	967,519	43,844	33,200
EXPENDITURES					
Current operations:					
General government	-	-	-	-	-
Public safety	83,260	-	-	82,743	34,033
Culture and recreation	-	26,054	535,622	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	63,378	-	11,730	-	-
Total expenditures	146,638	26,054	547,352	82,743	34,033
Excess (deficiency) of revenues over expenditures	41,642	4,349	420,167	(38,899)	(833)
Other financing sources (uses):					
Transfers in (out)	-	-	(464,904)	-	-
Total other financing sources (uses)	-	-	(464,904)	-	-
Net change in fund balances	41,642	4,349	(44,737)	(38,899)	(833)
Fund balances, beginning of year	218,928	70,867	138,842	95,620	839
Fund balances, end of year	\$ 260,570	\$ 75,216	\$ 94,105	\$ 56,721	\$ 6

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

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
\$ -	\$ -	\$ -	\$ -	\$ 925,075	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	73,419	-	-	-
-	127,267	237,796	-	-	318,696	-
-	31,690	-	-	-	-	-
75,886	-	-	-	-	-	-
<u>50</u>	<u>-</u>	<u>53,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>75,936</u>	<u>158,957</u>	<u>291,029</u>	<u>73,419</u>	<u>925,075</u>	<u>318,696</u>	<u>-</u>
-	-	-	-	-	-	-
-	67,430	-	-	-	520,917	-
533,478	121,051	553,907	-	-	-	7,845
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10,455</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,273</u>	<u>-</u>
<u>543,933</u>	<u>200,481</u>	<u>553,907</u>	<u>-</u>	<u>-</u>	<u>538,190</u>	<u>7,845</u>
(467,997)	(41,524)	(262,878)	73,419	925,075	(219,494)	(7,845)
<u>388,633</u>	<u>188,000</u>	<u>279,200</u>	<u>(73,867)</u>	<u>(935,445)</u>	<u>302,170</u>	<u>-</u>
<u>388,633</u>	<u>188,000</u>	<u>279,200</u>	<u>(73,867)</u>	<u>(935,445)</u>	<u>302,170</u>	<u>-</u>
(79,364)	146,476	16,322	(448)	(10,370)	82,676	(7,845)
<u>77,954</u>	<u>180,202</u>	<u>(616)</u>	<u>6,506</u>	<u>83,614</u>	<u>142,352</u>	<u>7,845</u>
<u>\$(1,410)</u>	<u>\$ 326,678</u>	<u>\$ 15,706</u>	<u>\$ 6,058</u>	<u>\$ 73,244</u>	<u>\$ 225,028</u>	<u>\$ -</u>

(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, 2008**

	Special Revenue	Debt Service			
	Total	1989 Gas Tax Reserve Fund #46	1993 Receipts Tax Revenue Fund	2007 NMFA Land Purchase Fund #47	1995 Gross Receipts Tax Acquisition Retirement
REVENUES					
Taxes:	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts tax	925,075	-	-	-	-
Property taxes	-	-	-	-	-
Lodgers' tax	947,126	-	-	-	-
Other state shared taxes	92,392	-	-	-	-
Intergovernmental	905,239	-	-	-	-
Fines and forfeitures	75,534	-	-	-	-
Charges for services	75,886	-	-	-	-
Miscellaneous	85,106	8,345	-	-	-
Total revenues	<u>3,106,358</u>	<u>8,345</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Current operations:					
General government	-	-	-	-	-
Public safety	788,383	-	-	-	-
Culture and recreation	1,777,957	-	-	-	-
Debt service:					
Principal	-	-	-	73,495	-
Interest and fiscal charges	-	-	-	30,366	-
Capital outlay	114,836	-	-	-	-
Total expenditures	<u>2,681,176</u>	<u>-</u>	<u>-</u>	<u>103,861</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	425,182	8,345	-	(103,861)	-
Other financing sources (uses):					
Transfers in (out)	(316,213)	(8,345)	(9,442)	134,749	(19,221)
Total other financing sources (uses)	<u>(316,213)</u>	<u>(8,345)</u>	<u>(9,442)</u>	<u>134,749</u>	<u>(19,221)</u>
Net change in fund balances	108,969	-	(9,442)	30,888	(19,221)
Fund balances, beginning of year	<u>1,022,953</u>	<u>195,500</u>	<u>9,442</u>	<u>-</u>	<u>19,221</u>
Fund balances, end of year	<u>\$ 1,131,922</u>	<u>\$ 195,500</u>	<u>\$ -</u>	<u>\$ 30,888</u>	<u>\$ -</u>

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

Debt Service

<u>2008 Gross Receipts Tax Revenue Bond Retirement #41</u>	<u>1995 Gross Receipts Tax Acquisition Reserve #45</u>	<u>1999 Gas Tax R. B. Retirement #43</u>	<u>2001 Gross Receipts Tax R. B. Retirement #40</u>	<u>2001 Gross Receipts Tax R. B. Reserve #49</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,229	-	-	18,092	34,666
-	8,229	-	-	18,092	34,666
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
88,001	-	150,000	455,000	-	678,495
-	-	43,748	43,329	-	205,444
88,001	-	193,748	498,329	-	883,939
(88,001)	8,229	(193,748)	(498,329)	18,092	(849,273)
97,450	(8,229)	197,910	481,371	(18,879)	847,364
97,450	(8,229)	197,910	481,371	(18,879)	847,364
9,449	-	4,162	(16,958)	(787)	(1,909)
-	170,500	527	17,068	413,287	825,545
<u>\$ 9,449</u>	<u>\$ 170,500</u>	<u>\$ 4,689</u>	<u>\$ 110</u>	<u>\$ 412,500</u>	<u>\$ 823,636</u>

(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, 2008**

	<u>Capital Projects</u>				
	<u>Airport Construction Fund #52</u>	<u>1994 GRT Revenue Bond Acquisition #56</u>	<u>Enhanced 911 Fund #53</u>	<u>Domestic Violence Shelter Fund #28</u>	<u>Facilities Improvements Fund # 50</u>
REVENUES					
Taxes:	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts tax					-
Property taxes					-
Lodgers' tax					-
Other state shared taxes					-
Intergovernmental	409,039	-	-	149,999	64,222
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Miscellaneous	-	61,005	-	-	-
Total revenues	<u>409,039</u>	<u>61,005</u>	<u>-</u>	<u>149,999</u>	<u>64,222</u>
EXPENDITURES					
Current operations:					
General government	314,174	157,036	-	150,000	188,151
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	18,000
Interest and fiscal charges	-	-	-	-	-
Capital outlay	<u>136,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,932</u>
Total expenditures	<u>450,215</u>	<u>157,036</u>	<u>-</u>	<u>150,000</u>	<u>337,083</u>
Excess (deficiency) of revenues over expenditures	(41,176)	(96,031)	-	(1)	(272,861)
Other financing sources (uses):					
Transfers in (out)	-	-	-	-	154,104
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,104</u>
Net change in fund balances	(41,176)	(96,031)	-	(1)	(118,757)
Fund balances, beginning of year	<u>98,219</u>	<u>947,192</u>	<u>25,309</u>	<u>2</u>	<u>211,263</u>
Fund balances, end of year	<u>\$ 57,043</u>	<u>\$ 851,161</u>	<u>\$ 25,309</u>	<u>\$ 1</u>	<u>\$ 92,506</u>

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

Capital Projects

<u>Vehicle Replacement Fund #54</u>	<u>1999 Gas Construction Fund #59</u>	<u>Total</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -
			925,075
			-
			947,126
			92,392
-	102,968	726,228	1,631,467
-	-	-	75,534
-	-	-	75,886
-	18,096	79,101	198,873
<u>-</u>	<u>121,064</u>	<u>805,329</u>	<u>3,946,353</u>
-	-	809,361	809,361
-	-	-	788,383
-	-	-	1,777,957
-	-	18,000	696,495
-	-	-	205,444
<u>124,900</u>	<u>225,818</u>	<u>617,691</u>	<u>732,527</u>
<u>124,900</u>	<u>225,818</u>	<u>1,445,052</u>	<u>5,010,167</u>
(124,900)	(104,754)	(639,723)	(1,063,814)
<u>56,000</u>	<u>190,333</u>	<u>400,437</u>	<u>931,588</u>
<u>56,000</u>	<u>190,333</u>	<u>400,437</u>	<u>931,588</u>
(68,900)	85,579	(239,286)	(132,226)
<u>326,513</u>	<u>433,234</u>	<u>2,041,732</u>	<u>3,890,230</u>
<u>\$ 257,613</u>	<u>\$ 518,813</u>	<u>\$ 1,802,446</u>	<u>\$ 3,758,004</u>

(Continued)

**STATE OF NEW MEXICO
TOWN OF TAOS
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 168,558	\$ 188,280	\$ 188,280	\$ -
Miscellaneous	-	-	-	-
Total revenues	<u>168,558</u>	<u>188,280</u>	<u>188,280</u>	<u>-</u>
EXPENDITURES				
Operating expenses	205,067	224,789	85,953	138,836
Capital outlay	<u>182,419</u>	<u>182,419</u>	<u>63,378</u>	<u>119,041</u>
Total expenditures	<u>387,486</u>	<u>407,208</u>	<u>149,331</u>	<u>257,877</u>
Excess (deficiency) of revenues over expenditures	<u>(218,928)</u>	<u>(218,928)</u>	<u>38,949</u>	<u>257,877</u>
Net change in fund balances	<u>\$ (218,928)</u>	<u>\$ (218,928)</u>	<u>\$ 38,949</u>	<u>\$ 257,877</u>
Beginning cash and investments balance	<u>\$ 221,929</u>	<u>\$ 221,929</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 38,949	
Change in payables			<u>2,693</u>	
Net change in fund balances GAAP basis			<u>\$ 41,642</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 18,145	\$ 18,145	\$ 19,631	\$ 1,486
Miscellaneous	<u>11,480</u>	<u>11,480</u>	<u>11,430</u>	<u>(50)</u>
Total revenues	<u>29,625</u>	<u>29,625</u>	<u>31,061</u>	<u>1,436</u>
EXPENDITURES				
Operating expenses	<u>37,952</u>	<u>36,695</u>	<u>25,995</u>	<u>10,700</u>
Total expenditures	<u>37,952</u>	<u>36,695</u>	<u>25,995</u>	<u>10,700</u>
Excess (deficiency) of revenues over expenditures	<u>(8,327)</u>	<u>(7,070)</u>	<u>5,066</u>	<u>12,136</u>
Net change in fund balances	<u>\$(8,327)</u>	<u>\$(7,070)</u>	<u>\$ 5,066</u>	<u>\$ 12,136</u>
Beginning cash balance	<u>\$ 20,753</u>	<u>\$ 20,753</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 5,066	
Change in receivables			(658)	
Change in payables			<u>(59)</u>	
Net change in fund balances GAAP basis			<u>\$ 4,349</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
LODGER'S TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ 982,912	\$ 987,015	\$ 941,339	\$(45,676)
Miscellaneous	<u>-</u>	<u>13,328</u>	<u>20,393</u>	<u>7,065</u>
Total revenues	<u>982,912</u>	<u>1,000,343</u>	<u>961,732</u>	<u>(38,611)</u>
EXPENDITURES				
Operating expenses	474,230	571,380	544,328	27,052
Capital outlay	<u>-</u>	<u>11,775</u>	<u>11,730</u>	<u>45</u>
Total expenditures	<u>474,230</u>	<u>583,155</u>	<u>556,058</u>	<u>27,097</u>
Excess (deficiency) of revenues over expenditures	<u>508,682</u>	<u>417,188</u>	<u>405,674</u>	<u>(11,514)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(524,120)</u>	<u>(54,491)</u>	<u>(464,904)</u>	<u>410,413</u>
Total other financing sources (uses)	<u>(524,120)</u>	<u>(54,491)</u>	<u>(464,904)</u>	<u>410,413</u>
Net change in fund balances	<u><u>\$(15,438)</u></u>	<u><u>\$ 362,697</u></u>	<u><u>\$(59,230)</u></u>	<u><u>\$(421,927)</u></u>
Beginning cash and investment balance	<u><u>\$ 52,509</u></u>	<u><u>\$ 52,509</u></u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(59,230)	
Change in receivables			5,787	
Change in payables			<u>8,706</u>	
Net change in fund balances GAAP basis			<u><u>\$(44,737)</u></u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
LOCAL GOVERNMENT CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeits	\$ 49,146	\$ 49,147	\$ 43,844	\$(5,303)
Total revenues	<u>49,146</u>	<u>49,147</u>	<u>43,844</u>	<u>(5,303)</u>
EXPENDITURES				
Operating expenses	<u>125,000</u>	<u>127,082</u>	<u>80,428</u>	<u>46,654</u>
Total expenditures	<u>125,000</u>	<u>127,082</u>	<u>80,428</u>	<u>46,654</u>
Excess (deficiency) of revenues over expenditures	<u>(75,854)</u>	<u>(77,935)</u>	<u>(36,584)</u>	<u>41,351</u>
Net change in fund balances	<u>\$(75,854)</u>	<u>\$(77,935)</u>	<u>\$(36,584)</u>	<u>\$ 41,351</u>
Beginning cash and investment balance	<u>\$ 99,905</u>	<u>\$ 99,905</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(36,584)	
Change in payables			<u>(2,315)</u>	
Net change in fund balances GAAP basis			<u>\$(38,899)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 32,000	\$ 33,200	\$ 33,200	\$ -
Total revenues	<u>32,000</u>	<u>33,200</u>	<u>33,200</u>	<u>-</u>
EXPENDITURES				
Operating expenses	32,000	35,040	33,999	1,041
Total expenditures	<u>32,000</u>	<u>35,040</u>	<u>33,999</u>	<u>1,041</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,840)</u>	<u>(799)</u>	<u>1,041</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,840)</u>	<u>\$ (799)</u>	<u>\$ 1,041</u>
Beginning cash balance	\$ 1,158	\$ 1,158		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(799)	
Change in payables			(34)	
Net change in fund balances GAAP basis			<u>\$(833)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
CIVIC CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 100,052	\$ 100,052	\$ 75,886	\$(24,166)
Miscellaneous	<u> -</u>	<u> -</u>	<u> 50</u>	<u> 50</u>
Total revenues	<u>100,052</u>	<u>100,052</u>	<u>75,936</u>	<u>(24,116)</u>
EXPENDITURES				
Operating expenses	513,222	565,887	521,253	44,634
Capital outlay	<u>4,000</u>	<u>10,455</u>	<u>10,455</u>	<u> -</u>
Total expenditures	<u>517,222</u>	<u>576,342</u>	<u>531,708</u>	<u>44,634</u>
Excess (deficiency) of revenues over expenditures	<u>(417,170)</u>	<u>(476,290)</u>	<u>(455,772)</u>	<u>(20,518)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>380,027</u>	<u>778,482</u>	<u>388,633</u>	<u>389,849</u>
Total other financing sources (uses)	<u>380,027</u>	<u>778,482</u>	<u>388,633</u>	<u>389,849</u>
Net change in fund balances	<u>\$(37,143)</u>	<u>\$ 302,192</u>	<u>\$(67,139)</u>	<u>\$ 369,331</u>
Beginning cash balance	<u>\$ 59,019</u>	<u>\$ 59,019</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(67,139)	
Change in payables			<u>(12,225)</u>	
Net change in fund balances GAAP basis			<u>\$(79,364)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
COMMUNITY GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 286,010	\$ 431,477	\$ 127,267	\$(304,210)
Miscellaneous	<u>41,564</u>	<u>27,749</u>	<u>18,943</u>	<u>(8,806)</u>
Total revenues	<u>327,574</u>	<u>459,226</u>	<u>146,210</u>	<u>(313,016)</u>
EXPENDITURES				
Operating expenses	563,743	608,856	173,494	435,362
Capital outlay	<u>99,101</u>	<u>175,327</u>	<u>12,000</u>	<u>163,327</u>
Total expenditures	<u>662,844</u>	<u>784,183</u>	<u>185,494</u>	<u>598,689</u>
Excess (deficiency) of revenues over expenditures	<u>(335,270)</u>	<u>(324,957)</u>	<u>(39,284)</u>	<u>285,673</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>173,000</u>	<u>188,000</u>	<u>188,000</u>	<u>-</u>
Total other financing sources (uses)	<u>173,000</u>	<u>188,000</u>	<u>188,000</u>	<u>-</u>
Net change in fund balances	<u>\$(162,270)</u>	<u>\$(136,957)</u>	<u>\$ 148,716</u>	<u>\$ 285,673</u>
Beginning cash and investments balance	<u>\$ 185,480</u>	<u>\$ 185,480</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 148,716	
Change in receivables			12,747	
Change in payables			<u>(14,987)</u>	
Net change in fund balances GAAP basis			<u>\$ 146,476</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
PUBLIC TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental	\$ 367,329	\$ 320,431	\$ 237,796	\$(82,635)
Miscellaneous	<u>-</u>	<u>46,898</u>	<u>57,230</u>	<u>10,332</u>
Total revenues	<u>367,329</u>	<u>367,329</u>	<u>295,026</u>	<u>(72,303)</u>
EXPENDITURES				
Operating expenses	<u>575,402</u>	<u>578,171</u>	<u>545,284</u>	<u>32,887</u>
Total expenditures	<u>575,402</u>	<u>578,171</u>	<u>545,284</u>	<u>32,887</u>
Excess (deficiency) of revenues over expenditures	<u>(208,073)</u>	<u>(210,842)</u>	<u>(250,258)</u>	<u>(39,416)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>207,200</u>	<u>279,200</u>	<u>279,200</u>	<u>-</u>
Total other financing sources (uses)	<u>207,200</u>	<u>279,200</u>	<u>279,200</u>	<u>-</u>
Net change in fund balances	<u>\$(873)</u>	<u>\$ 68,358</u>	<u>\$ 28,942</u>	<u>\$(39,416)</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 28,942	
Change in receivables			(3,997)	
Change in payables			(8,623)	
Net change in fund balances GAAP basis			<u>\$ 16,322</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
MUNICIPAL ROAD GASOLINE TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ <u>77,146</u>	\$ <u>77,146</u>	\$ <u>73,867</u>	\$(<u>3,279</u>)
Total revenues	<u>77,146</u>	<u>77,146</u>	<u>73,867</u>	(<u>3,279</u>)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(<u>77,146</u>)	(<u>77,146</u>)	(<u>73,867</u>)	<u>3,279</u>
Total other financing sources (uses)	(<u>77,146</u>)	(<u>77,146</u>)	(<u>73,867</u>)	<u>3,279</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Beginning cash and receivables balance	\$ <u>-</u>	\$ <u>-</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ -	
Change in receivables			(<u>448</u>)	
Net change in fund balances GAAP basis			\$ <u>(448)</u>	

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

STATE OF NEW MEXICO
TOWN OF TAOS
1/4 CENT MUNICIPAL GROSS RECEIPTS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 984,218	\$ 984,218	\$ 935,445	\$(48,773)
Total revenues	<u>984,218</u>	<u>984,218</u>	<u>935,445</u>	<u>(48,773)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(984,218)	(984,218)	(935,445)	48,773
Total other financing sources (uses)	<u>(984,218)</u>	<u>(984,218)</u>	<u>(935,445)</u>	<u>48,773</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Beginning cash and receivables balance	\$ <u>-</u>	\$ <u>-</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ -	
Change in receivables			(10,370)	
Net change in fund balances GAAP basis			<u>\$(10,370)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
CENTRAL COMMUNICATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 329,170	\$ 329,170	\$ 318,696	\$(10,474)
Total revenues	<u>329,170</u>	<u>329,170</u>	<u>318,696</u>	<u>(10,474)</u>
EXPENDITURES				
Operating expenses	597,570	572,070	512,987	59,083
Capital outlay	<u>18,000</u>	<u>25,000</u>	<u>17,273</u>	<u>7,727</u>
Total expenditures	<u>615,570</u>	<u>597,070</u>	<u>530,260</u>	<u>66,810</u>
Excess (deficiency) of revenues over expenditures	<u>(286,400)</u>	<u>(267,900)</u>	<u>(211,564)</u>	<u>56,336</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>272,596</u>	<u>482,087</u>	<u>302,170</u>	<u>(179,917)</u>
Total other financing sources (uses)	<u>272,596</u>	<u>482,087</u>	<u>302,170</u>	<u>(179,917)</u>
Net change in fund balances	<u><u>\$(13,804)</u></u>	<u><u>\$ 214,187</u></u>	<u><u>\$ 90,606</u></u>	<u><u>\$(123,581)</u></u>
Beginning cash balance	<u><u>\$(58,094)</u></u>	<u><u>\$(58,094)</u></u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 90,606	
Change in payables			<u>(7,930)</u>	
Net change in fund balances GAAP basis			<u><u>\$ 82,676</u></u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1989/1999 GROSS RECEIPTS TAX REVENUE BOND RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ 8,407	\$ 8,345	\$(62)
Total revenues	<u>-</u>	<u>8,407</u>	<u>8,345</u>	<u>(62)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,407)	(8,407)	(8,345)	62
Total other financing sources (uses)	<u>(8,407)</u>	<u>(8,407)</u>	<u>(8,345)</u>	<u>62</u>
Net change in fund balances	<u>\$(8,407)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1993 RECEIPTS TAX REVENUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(9,442)	(9,442)	(9,442)	-
Total other financing sources (uses)	(9,442)	(9,442)	(9,442)	-
Net change in fund balances	<u>\$(9,442)</u>	<u>\$(9,442)</u>	<u>\$(9,442)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 9,442</u>	<u>\$ 9,442</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
2007 NMFA LAND PURCHASE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
EXPENDITURES				
Miscellaneous	\$ 2,504	\$ 2,644	\$ -	\$ 2,644
Debt Service:				
Principal retirement	73,495	81,286	73,495	7,791
Interest and fiscal charges	<u>27,862</u>	<u>29,441</u>	<u>30,366</u>	(925)
Total expenditures	<u>103,861</u>	<u>113,371</u>	<u>103,861</u>	<u>9,510</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>114,000</u>	<u>123,500</u>	<u>134,749</u>	<u>11,249</u>
Total other financing sources (uses)	<u>114,000</u>	<u>123,500</u>	<u>134,749</u>	<u>11,249</u>
Net change in fund balances	<u>\$ 10,139</u>	<u>\$ 10,129</u>	<u>\$ 30,888</u>	<u>\$(20,759)</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
TOWN OF TAOS
1995 GROSS RECEIPTS TAX R.B. RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(19,221)	(19,221)	(19,221)	-
Total other financing sources (uses)	-	(19,221)	(19,221)	-
Net change in fund balances	<u>\$(19,221)</u>	<u>\$(19,221)</u>	<u>\$(19,221)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 19,221</u>	<u>\$ 19,221</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
2008 GROSS RECEIPTS TAX REVENUE BOND RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal retirement	\$ 173,895	\$ 173,895	\$ -	\$ 173,895
Interest and fiscal charges	<u>287,500</u>	<u>287,500</u>	<u>88,001</u>	<u>199,499</u>
Total expenditures	<u>461,395</u>	<u>461,395</u>	<u>88,001</u>	<u>373,394</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>442,329</u>	<u>442,329</u>	<u>97,450</u>	<u>(344,879)</u>
Total other financing sources (uses)	<u>-</u>	<u>442,329</u>	<u>97,450</u>	<u>(344,879)</u>
Net change in fund balances	<u>\$(461,395)</u>	<u>\$(19,066)</u>	<u>\$ 9,449</u>	<u>\$(28,515)</u>
Beginning cash balance	<u>\$ -</u>	<u>\$ -</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1995 GROSS RECEIPTS TAX ACQUISITION RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ 8,729	\$ 8,229	\$(500)
Total revenues	<u>-</u>	<u>8,729</u>	<u>8,229</u>	<u>(500)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(8,729)	(8,729)	(8,229)	500
Total other financing sources (uses)	<u>(8,729)</u>	<u>(8,729)</u>	<u>(8,229)</u>	<u>500</u>
Net change in fund balances	<u>\$(8,729)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Beginning cash and investments balance	<u>\$ -</u>	<u>\$ -</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1999 GAS TAX R.B. RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal retirement	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Interest and fiscal charges	<u>47,373</u>	<u>47,373</u>	<u>43,748</u>	<u>3,625</u>
Total expenditures	<u>197,373</u>	<u>197,373</u>	<u>193,748</u>	<u>3,625</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>197,550</u>	<u>197,550</u>	<u>197,910</u>	<u>360</u>
Total other financing sources (uses)	<u>197,550</u>	<u>197,550</u>	<u>197,910</u>	<u>360</u>
Net change in fund balances	<u>\$ 177</u>	<u>\$ 177</u>	<u>\$ 4,162</u>	<u>\$ 3,985</u>
Beginning cash balance	<u>\$ 527</u>	<u>\$ 527</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
2001 GROSS RECEIPTS TAX R.B. RETIREMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal retirement	\$ 455,000	\$ 455,000	\$ 455,000	\$ -
Interest and fiscal charges	<u>43,329</u>	<u>43,329</u>	<u>43,329</u>	<u>-</u>
Total expenditures	<u>498,330</u>	<u>498,329</u>	<u>498,329</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>482,087</u>	<u>482,087</u>	<u>481,371</u>	<u>(716)</u>
Total other financing sources (uses)	<u>482,087</u>	<u>482,087</u>	<u>481,371</u>	<u>(716)</u>
Net change in fund balances	<u><u>\$ (16,243)</u></u>	<u><u>\$ (16,242)</u></u>	<u><u>\$ (16,958)</u></u>	<u><u>\$ (716)</u></u>
Beginning cash balance	<u>\$ 17,068</u>	<u>\$ 17,068</u>		

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

STATE OF NEW MEXICO
TOWN OF TAOS
2001 GROSS RECEIPTS TAX R.B. RESERVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ 22,000	\$ 18,092	\$(3,908)
Total revenues	<u>-</u>	<u>22,000</u>	<u>18,092</u>	<u>(3,908)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(22,787)	(22,787)	(18,879)	3,908
Total other financing sources (uses)	<u>(22,787)</u>	<u>(22,787)</u>	<u>(18,879)</u>	<u>3,908</u>
Net change in fund balances	<u>\$(22,787)</u>	<u>\$(787)</u>	<u>\$(787)</u>	<u>\$ -</u>
Beginning cash balance	<u>\$ 787</u>	<u>\$ 787</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
CAPITAL PROJECTS FUND - INDIVIDUAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,660,148	\$ 2,722,148	\$ 477,978	\$(2,244,170)
Taxes	728,197	728,197	693,780	(34,417)
Miscellaneous	-	-	80,202	80,202
Total revenues	<u>3,388,345</u>	<u>3,450,345</u>	<u>1,251,960</u>	<u>(2,198,385)</u>
EXPENDITURES				
Operating expenses	324,148	503,274	421,223	82,051
Capital outlay	11,797,435	12,222,680	2,171,884	10,050,796
Debt service				
Interest & fiscal charges	-	-	184,717	(184,717)
Total expenditures	<u>12,121,583</u>	<u>12,725,954</u>	<u>2,777,824</u>	<u>9,948,130</u>
Excess (deficiency) of revenues over expenditures	<u>(8,733,238)</u>	<u>(9,275,609)</u>	<u>(1,525,864)</u>	<u>7,749,745</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	5,750,000	6,332,025	6,395,000	62,975
Debt issuance premium	-	-	70,842	70,842
Transfers in (out)	553,161	403,360	479,453	76,093
Total other financing sources (uses)	<u>6,303,161</u>	<u>6,735,385</u>	<u>6,945,295</u>	<u>209,910</u>
Net change in fund balances	<u>\$(2,430,077)</u>	<u>\$(2,540,224)</u>	<u>\$ 5,419,431</u>	<u>\$ 7,959,655</u>
Beginning cash, investments and receivables balance	<u>\$(18,401)</u>	<u>\$(18,401)</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 5,419,431	
Change in receivables			419,850	
Change in payables			<u>(690,734)</u>	
Net change in fund balances GAAP basis			<u>\$ 5,148,547</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
AIRPORT CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 2,768,316	\$ 1,231,622	\$ 362,862	\$(868,760)
Total revenues	<u>2,768,316</u>	<u>1,231,622</u>	<u>362,862</u>	<u>(868,760)</u>
EXPENDITURES				
Operating expenses	680,953	668,532	267,182	401,350
Capital outlay	<u>2,238,243</u>	<u>687,724</u>	<u>136,041</u>	<u>551,683</u>
Total expenditures	<u>2,919,196</u>	<u>1,356,256</u>	<u>403,223</u>	<u>953,033</u>
Excess (deficiency) of revenues over expenditures	<u>(150,880)</u>	<u>(124,634)</u>	<u>(40,361)</u>	<u>84,273</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>53,000</u>	<u>68,000</u>	<u>-</u>	<u>(68,000)</u>
Total other financing sources (uses)	<u>53,000</u>	<u>68,000</u>	<u>-</u>	<u>68,000</u>
Net change in fund balances	<u>\$(97,880)</u>	<u>\$(56,634)</u>	<u>\$(40,361)</u>	<u>\$ 16,273</u>
Beginning cash and investments balances	<u>\$ 98,219</u>	<u>\$ 98,219</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(40,361)	
Change in receivables			46,177	
Change in payables			<u>(46,992)</u>	
Net change in fund balances GAAP basis			<u>\$(41,176)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1994 GRT REVENUE BOND ACQUISITION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous	\$ <u>235,852</u>	\$ <u>235,852</u>	\$ <u>61,005</u>	\$(<u>174,847</u>)
Total revenues	<u>235,852</u>	<u>235,852</u>	<u>61,005</u>	<u>(174,847)</u>
EXPENDITURES				
Operating expense	164,228	259,228	126,666	132,562
Capital outlay	<u>151,466</u>	<u>302,932</u>	<u>-</u>	<u>302,932</u>
Total expenditures	<u>315,694</u>	<u>562,160</u>	<u>126,666</u>	<u>435,494</u>
Excess (deficiency) of revenues over expenditures	<u>(79,842)</u>	<u>(326,308)</u>	<u>(65,661)</u>	<u>260,647</u>
Net change in fund balances	<u>\$(79,842)</u>	<u>\$(326,308)</u>	<u>\$(65,661)</u>	<u>\$ 260,647</u>
Beginning cash and investments balance	\$ <u>947,192</u>	\$ <u>947,192</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ (65,661)	
Change in payables			<u>(30,370)</u>	
Net change in fund balances GAAP basis			<u>\$ (96,031)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
DOMESTIC VIOLENCE SHELTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 149,999	\$(1)
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>149,999</u>	<u>(1)</u>
EXPENDITURES				
Operating expenses	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1)</u>	<u>\$(1)</u>
Beginning cash balance	<u>\$ 2</u>	<u>\$ 2</u>		

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

**STATE OF NEW MEXICO
TOWN OF TAOS
FACILITIES IMPROVEMENTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,171,313	\$ 1,171,313	\$ 49,473	\$(1,121,840)
Miscellaneous	<u>-</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenues	<u>1,171,313</u>	<u>1,171,813</u>	<u>49,473</u>	<u>(1,122,340)</u>
EXPENDITURES				
Operating expenses	187,273	280,887	183,515	97,372
Capital outlay	1,340,604	1,260,990	130,932	1,130,058
Debt service	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>(18,000)</u>
Total expenditures	<u>1,527,877</u>	<u>1,541,877</u>	<u>332,447</u>	<u>1,209,430</u>
Excess (deficiency) of revenues over expenditures	<u>(356,564)</u>	<u>(370,064)</u>	<u>(282,974)</u>	<u>87,090</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>154,104</u>	<u>160,104</u>	<u>154,104</u>	<u>(6,000)</u>
Total other financing sources (uses)	<u>154,104</u>	<u>160,104</u>	<u>154,104</u>	<u>(6,000)</u>
Net change in fund balances	<u>\$(202,460)</u>	<u>\$(209,960)</u>	<u>\$(128,870)</u>	<u>\$ 81,090</u>
Beginning cash, investments and receivables balance	<u>\$ 217,458</u>	<u>\$ 217,458</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(128,870)	
Change in receivables			14,749	
Change in payables			<u>(4,636)</u>	
Net change in fund balances GAAP basis			<u>\$(118,757)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
VEHICLE REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ 5,000	\$ -	\$(5,000)
Total revenues	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
EXPENDITURES				
Operating expense	-	4,832	-	4,832
Capital outlay	<u>134,832</u>	<u>130,000</u>	<u>128,834</u>	<u>1,166</u>
Total expenditures	<u>134,832</u>	<u>134,832</u>	<u>128,834</u>	<u>5,998</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>200,000</u>	<u>200,000</u>	<u>56,000</u>	<u>(144,000)</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>56,000</u>	<u>144,000</u>
Excess (deficiency) of revenues over expenditures	<u>65,168</u>	<u>70,168</u>	<u>(72,834)</u>	<u>(143,002)</u>
Net change in fund balances	<u>\$ 65,168</u>	<u>\$ 70,168</u>	<u>\$(72,834)</u>	<u>\$(143,002)</u>
Beginning cash and investments balances	<u>\$ 330,447</u>	<u>\$ 330,447</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$(72,834)	
Change in payables			<u>3,934</u>	
Net change in fund balances GAAP basis			<u>\$(68,900)</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
1999 GAS CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (Non-GAAP Basis) and ACTUAL on BUDGETARY BASIS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,180,508	\$ 1,863,644	\$ 38,000	\$(1,825,644)
Miscellaneous	<u>24,030</u>	<u>24,030</u>	<u>18,096</u>	<u>(5,934)</u>
Total revenues	<u>1,204,538</u>	<u>1,887,674</u>	<u>56,096</u>	<u>(1,831,578)</u>
EXPENDITURES				
Capital outlay	<u>1,666,952</u>	<u>2,510,421</u>	<u>222,418</u>	<u>2,288,003</u>
Total expenditures	<u>1,666,952</u>	<u>2,510,421</u>	<u>222,418</u>	<u>2,288,003</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>-</u>	<u>190,333</u>	<u>190,333</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>190,333</u>	<u>190,333</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(462,414)</u>	<u>(432,414)</u>	<u>24,011</u>	<u>(4,119,581)</u>
Net change in fund balances	<u>\$(462,414)</u>	<u>\$(432,414)</u>	<u>\$ 24,011</u>	<u>\$ 456,425</u>
Beginning cash and investments balance	<u>\$ 436,834</u>	<u>\$ 436,834</u>		
RECONCILIATION TO GAAP BASIS				
Net increase (decrease) in fund balances budget basis			\$ 24,011	
Change in receivables			64,968	
Change in payables			<u>(3,400)</u>	
Net change in fund balances GAAP basis			<u>\$ 85,579</u>	

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

**STATE OF NEW MEXICO
TOWN OF TAOS
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Postive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Charges for services	\$ 2,063,993	\$ 2,128,304	\$ 2,179,652	\$ 51,348
Other revenue	385,127	215,566	253,751	38,185
Total operating revenues	<u>2,449,120</u>	<u>2,343,870</u>	<u>2,433,403</u>	<u>89,533</u>
Operating Expenses:				
Personnel services	629,043	637,312	595,748	41,564
Capital outlay	5,313,549	3,645,572	-	3,645,572
Other	1,834,581	2,782,201	1,565,244	1,216,957
Total operating expenses	<u>7,777,173</u>	<u>7,065,085</u>	<u>2,160,992</u>	<u>4,904,093</u>
Operating income (loss)	<u>(5,328,053)</u>	<u>(4,721,215)</u>	<u>272,411</u>	<u>4,993,626</u>
Non-operating income (deductions):				
Interest expense	(151,115)	(160,534)	(156,473)	4,061
Interest income	56,677	161,926	137,181	(24,745)
Sales tax	508,254	508,254	462,538	(45,716)
Federal and state grants	3,960,225	3,255,069	1,255,068	(2,000,001)
Total non-operating income (deductions)	<u>4,374,041</u>	<u>3,764,715</u>	<u>1,698,314</u>	<u>(2,066,401)</u>
Other financing sources (uses):				
Transfers in (out) from other funds	(6,700)	(2,759,608)	-	2,759,608
Total other financing sources (uses)	<u>(88,134)</u>	<u>(2,759,608)</u>	<u>-</u>	<u>2,759,608</u>
Non-budgeted items:				
Bad debt	-	-	(37,698)	(37,698)
Depreciation	-	-	(861,579)	(861,579)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(899,277)</u>	<u>(899,277)</u>
Net income (loss)	<u>\$ (1,042,146)</u>	<u>\$ (3,716,108)</u>	<u>\$ 1,071,448</u>	<u>\$ 4,787,556</u>

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

**STATE OF NEW MEXICO
TOWN OF TAOS
LANDFILL
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Postive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Charges for services	\$ 1,145,000	\$ 1,145,000	\$ 1,252,531	\$ 107,531
Total operating revenues	<u>1,145,000</u>	<u>1,145,000</u>	<u>1,252,531</u>	<u>107,531</u>
Operating Expenses:				
Personnel services	282,046	310,247	304,158	6,089
Capital outlay	602,913	1,789,338	-	1,789,338
Other	441,989	473,473	518,347	(44,874)
Total operating expenses	<u>1,326,948</u>	<u>2,573,058</u>	<u>822,505</u>	<u>1,750,553</u>
Operating income (loss)	<u>(181,948)</u>	<u>(1,428,058)</u>	<u>430,026</u>	<u>1,858,084</u>
Non-operating income (deductions):				
Interest expense	(13,390)	(13,390)	(13,390)	-
Interest income	12,000	12,000	37,788	25,788
Federal grants	366,073	732,146	-	(732,146)
Total non-operating income (deductions)	<u>364,683</u>	<u>730,756</u>	<u>24,398</u>	<u>(706,358)</u>
Other financing sources (uses):				
Debt proceeds	-	1,000,000	-	(1,000,000)
Transfers in (out) from other funds	-	(462,161)	-	462,161
Total other financing sources (uses)	<u>-</u>	<u>537,839</u>	<u>-</u>	<u>(537,839)</u>
Non-budgeted items:				
Depreciation	-	-	(113,829)	(113,829)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(113,829)</u>	<u>(113,829)</u>
Net income (loss)	<u>\$ 115,460</u>	<u>\$ (159,463)</u>	<u>\$ 340,595</u>	<u>\$ 1,037,897</u>

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

**STATE OF NEW MEXICO
TOWN OF TAOS
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS
BUDGET and ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Postive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating Revenues:				
Charges for services	\$ 934,492	\$ 934,492	\$ 1,083,386	\$ 148,894
Other revenue	<u>79,652</u>	<u>79,652</u>	<u>101,123</u>	<u>21,471</u>
Total operating revenues	<u>1,014,144</u>	<u>1,014,144</u>	<u>1,184,509</u>	<u>170,365</u>
Operating Expenses:				
Personnel services	116,871	103,089	74,714	28,375
Capital outlay	8,000	8,000	-	8,000
Other	<u>1,089,536</u>	<u>1,103,318</u>	<u>971,049</u>	<u>132,269</u>
Total operating expenses	<u>1,214,407</u>	<u>1,214,407</u>	<u>1,045,763</u>	<u>168,644</u>
Operating income (loss)	<u>(200,263)</u>	<u>(200,263)</u>	<u>138,746</u>	<u>1,721</u>
Non-budgeted items:				
Bad debt	-	-	-	-
Depreciation	<u>-</u>	<u>-</u>	<u>(4,005)</u>	<u>(4,005)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,005)</u>	<u>(4,005)</u>
Net income (loss)	<u>\$ (200,263)</u>	<u>\$ (200,263)</u>	<u>\$ 134,741</u>	<u>\$ (2,284)</u>

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

**STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008**

	<u>Balance June 30, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2008</u>
ASSETS				
Cash	\$ 27,787	\$ 20,520	\$ 46,357	\$ 1,950
Investments	30,500	31,000	-	61,500
Total assets	<u>\$ 58,287</u>	<u>\$ 51,520</u>	<u>\$ 46,357</u>	<u>\$ 63,450</u>
LIABILITIES				
Deposits payable	\$ 18,680	\$ 36,900	\$ 31,880	23,700
Accounts payable	-	-	-	-
Due to outside entities	39,607	14,620	14,477	39,750
Total liabilities	<u>\$ 58,287</u>	<u>\$ 51,520</u>	<u>\$ 46,357</u>	<u>\$ 63,450</u>

**STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2008**

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Grant ID Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice:</u>				
Enforcement Assistance	16.580	2005-FFNC-1109	\$ 287,113	\$ 18,198
RUS- Police Equipment	xx.xxx		15,750	427
COPS Technology Grant 2005	16.710	2005-CK-WX-0428	123,330	2,252
Subtotal U.S. Department of Justice			<u>426,193</u>	<u>20,877</u>
<u>U.S. Environmental Protection Agency:</u>				
Arsenic Removal Technologies	66.xxx		200,000	200,000
<u>U.S. Department of Housing & Urban Development Pass Through the State of New Mexico, Department of Finance & Administration:</u>				
Community Against Violence	14.235	NM02B001003	450,000	149,999
EDI Special Project	14.xxx	B-04-SP-NM-0478	1,590,560	431,225
Subtotal U.S. Department of Housing & Urban Development			<u>2,040,560</u>	<u>581,224</u>
<u>U.S. Department of Transportation Federal Aviation Administration (FAA)</u>				
Airport PAPI - FAA Phase III	20.106	3-35-0041-017-2007	613,268	287,648
2004 Recreational Trails Program	20.xxx	06-521-0500-0053	367,577	251,412
Airport PAPI - FAA	20.106	3-35-0041-116-2006	167,436	103,987
Land Runway 22 - FAA	20.106	3-35-0041-018-2007	150,000	5,142
Airport EIS - FAA	20.106	3-35-0041-014-2003	355,300	7,189
Subtotal Federal Aviation Administration			<u>1,040,313</u>	<u>655,378</u>
Total Federal Financial Awards Expenditures			<u>\$ 3,707,066</u>	<u>\$ 1,457,479</u>

Note A - Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

FEDERAL COMPLIANCE AND FINDINGS



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 STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Bobby Duran, Mayor
Town Council
Town of Taos
Taos, New Mexico
and
Hector H. Balderas
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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the combining and individual funds presented as supplemental information of the Town of Taos as of and for the year ended June 30, 2008, and have issued our report thereon, dated November 25, 2008. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Taos, New Mexico's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Taos, New Mexico's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Taos, New Mexico's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Town of Taos, New Mexico's financial statements that is more than

inconsequential will not be prevented or detected by the Town of Taos, New Mexico's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting of findings 2007-1 and 2007-3.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Taos 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 items 2007-1 and 2007-3.

Town of Taos, New Mexico's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Town of Taos, New Mexico's responses and, accordingly, we express no opinion on them.

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, the Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration 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
November 25, 2008



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

**INDEPENDENT AUDITORS' 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
Hector H. Balderas
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, 2008. 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.

In our opinion, 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Taos, New Mexico's control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, Town Council, and federal awarding agencies and pass-through entities, the Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration 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
November 25, 2008

**STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Taos.
2. Two significant deficiencies in internal control were disclosed during the audit but were not considered material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. There were no significant deficiencies 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 an unqualified opinion.
6. There were no 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 Justice – Enforcement Grant
 - U.S. Environmental Protection Agency – Arsenic Removal
 - U.S. Department of Housing & Urban Development – EDI Special Project
 - U.S. Department of Transportation – Airport PAPI – FAA, Phase III
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Taos did not qualify as a low risk auditee.

B. Findings – Financial Statements Audit

Prior Year

2007-1	Bank Reconciliations - repeat
2007-2	Travel and Per Diem- resolved
2007-3	Lodgers Tax - repeat

Current Year

2007-1	Bank reconciliations – repeat
2007-3	Lodgers Tax –repeat

STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2007-1 Bank Reconciliations

Condition: The Town's clearing bank accounts were not reconciled to the general ledger.

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 reconciliation are prepared at least monthly.

Effect: The Town's clearing accounts are not reconciled to the general ledger causing large adjustments to the general ledger to balance cash.

Cause: Finance department turnover caused the workload in the department to increase due to training new employees. Reconciliations were not prepared and payroll transactions postings were supplicated. Instead of preparing an adjusting entry to correct the general ledger the reconciler removed the duplicate transactions from the reconciliation there by balancing the reconciliation.

Recommendation: The Town should review the general ledger history and prepare adjusting entries for the duplicate transactions.

Response: Management agrees with the recommendation, and will resolve in the current fiscal year.

2007-3 Lodgers Tax

Condition: On October 5, 2007 the Town's attorney entered into an agreement with a Lodge for \$11,250 in settlement of past due lodgers tax for the years 2002-2005. On July 31, 2008 an additional settlement was reached with two lodger's facilities for \$8,975. Per the lodgers tax audit the amount due for 2002-2005 was \$138,814.

Criteria: The Lodgers Tax act, Sections 3-38-13 through 3-38-24 NMSA, in conjunction with the Ordinance imposing the local tax, Ordinance No. 627, Section 19-55 of the Town of Taos Municipal Code, as amended by Ordinance 83-6, 91-6, 92-4 and 97-32 impose collection of lodgers tax on gross rental income. In addition the New Mexico Constitution, Article IV, section 32, prohibits the Town from extinguishing the amount due except by receipt of payment in full or by proper proceedings in court.

Effect: By the Town not enforcing their policy and following State Constitution the Town is potentially not collecting funds that are due, which could be utilized for promoting and publicizing such facilities and tourist attractions.

**STATE OF NEW MEXICO
TOWN OF TAOS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

- Cause:** Several lodging facilities were reducing lodging revenue by the value of complimentary meals and beverages in order to arrive at the amount of revenue subject to the Town's lodgers tax, despite the fact that occupants are paying lodgers' tax on the full room charge. The above described deductions are only allowable when there is affirmative approval from the Town pursuant to Taos Municipal Code, Section 4.12.030. No such approvals were found by the auditor of the lodgers tax for 2002-2005.
- Recommendation:** The Town should consult with legal council to collect deficiencies based upon the unapproved deductions for complimentary meals and beverages. The Town should clarify its lodgers' tax ordinance to specifically address what constitutes amounts received that are subject to lodgers tax. The Town should hold an educational forum to inform all lodgers' of their responsibilities.
- Response:** Management agrees with the recommendation and will take collection action with legal council.

**STATE OF NEW MEXICO
TOWN OF TAOS
EXIT CONFERENCE
JUNE 30, 2008**

EXIT CONFERENCE

An exit conference was held on November 25, 2008, by Cindy James, CPA of Pattillo, Brown & Hill, L.L.P. with Rudy Abeyta, Council Member, Eugene Sanchez, Council Member, Daniel Miera, Town Manager and Marietta Fambro, Finance Director, of the 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.