

STATE OF NEW MEXICO
TOWN OF TAOS
ANNUAL FINANCIAL REPORT
JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

Town of Taos

Official Roster

June 30, 2009

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
Darren Cordova		Mayor
Michael A. Silva		Councilor
Rudy Abeyta		Councilor
Amy Quintana		Councilor
Gene Sanchez		Councilor
	<u>Administration</u>	
Daniel Miera		Town Manager
Abigail Adame		Assistant Town Manager
Marietta Fambro		Finance Director
Renee Lucero		Town Clerk
Richard Chavez		Municipal Judge
Allen Ferguson		Town Attorney

STATE OF NEW MEXICO

Town of Taos
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June 30, 2009

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FINANCIAL SECTION



Accounting & Consulting Group, LLP

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Town Council
Town of Taos
Taos, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the Town of Taos, New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons of the proprietary funds, the capital projects fund and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the Town of Taos' 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. 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 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the 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 as of June 30, 2009, and the respective changes in financial position thereof, and the budgetary comparisons for the proprietary funds, the capital projects fund and the remaining nonmajor governmental funds presented as supplementary information for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2009 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as supporting Schedules I through IV in the table of contents is presented for purposes of additional analysis and is 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 the combining and individual fund statements and budgetary comparisons listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and the combining and individual fund statements and budgetary comparisons taken as a whole.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 16, 2009

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Taos

Statement of Net Assets

June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 878,415	\$ 2,744,040	\$ 3,622,455
Investments	5,815,441	1,708,374	7,523,815
Receivables:			
Property taxes	214,215	-	214,215
Other taxes	896,766	-	896,766
Other	400,610	606,635	1,007,245
Internal balances	13,718	(13,718)	-
Total current assets	<u>8,219,165</u>	<u>5,045,331</u>	<u>13,264,496</u>
Noncurrent assets			
Restricted cash and cash equivalents	24,836	1,344,425	1,369,261
Bond issuance costs, net of accumulated amortization of \$14,274	170,443	-	170,443
Capital assets	102,470,850	32,716,763	135,187,613
Less: accumulated depreciation	<u>(50,275,151)</u>	<u>(12,905,074)</u>	<u>(63,180,225)</u>
Total noncurrent assets	<u>52,390,978</u>	<u>21,156,114</u>	<u>73,547,092</u>
Total assets	<u>\$ 60,610,143</u>	<u>\$ 26,201,445</u>	<u>\$ 86,811,588</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 338,151	\$ 221,737	\$ 559,888
Accrued payroll	402,418	47,822	450,240
Deposits held in trust for others	8,466	237,066	245,532
Accrued compensated absences	369,209	42,332	411,541
Accrued interest	41,142	69,498	110,640
Current portion of long-term debt	507,293	244,791	752,084
Total current liabilities	<u>1,666,679</u>	<u>863,246</u>	<u>2,529,925</u>
Noncurrent liabilities			
Accrued compensated absences	312,215	21,663	333,878
Accrued landfill closure costs	-	325,853	325,853
Bond premiums, net of accumulated accretion of \$5,474	65,368	-	65,368
Bonds payable	6,545,000	2,139,600	8,684,600
Loans and contracts payable	776,379	1,913,015	2,689,394
Total noncurrent liabilities	<u>7,698,962</u>	<u>4,400,131</u>	<u>12,099,093</u>
Total liabilities	<u>9,365,641</u>	<u>5,263,377</u>	<u>14,629,018</u>
Net Assets			
Invested in capital assets, net of related debt	44,367,027	15,514,283	59,881,310
Restricted for:			
Debt service	1,116,687	1,344,425	2,461,112
Capital projects	3,878,643	-	3,878,643
Special revenue	1,079,781	-	1,079,781
Unrestricted	802,364	4,079,360	4,881,724
Total net assets	<u>\$ 51,244,502</u>	<u>\$ 20,938,068</u>	<u>\$ 72,182,570</u>

STATE OF NEW MEXICO

Town of Taos
Statement of Activities
June 30, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 7,031,467	\$ 296,587	\$ 347,178	\$ -
Public safety	2,968,470	-	259,800	-
Public works	3,719,661	-	-	1,960,041
Culture and recreation	3,185,944	78,079	-	-
Health and welfare	669,840	-	378,128	-
Interest on long-term debt	339,835	-	-	-
<i>Total governmental activities</i>	<u>17,915,217</u>	<u>374,666</u>	<u>985,106</u>	<u>1,960,041</u>
Business-type Activities:				
Water and sewer	3,886,928	2,212,865	-	142,220
Solid waste	1,101,087	1,102,161	-	-
Taos regional landfill	1,036,057	1,161,614	-	-
<i>Total business-type activities</i>	<u>6,024,072</u>	<u>4,476,640</u>	<u>-</u>	<u>142,220</u>
<i>Total primary government</i>	<u>\$ 23,939,289</u>	<u>\$ 4,851,306</u>	<u>\$ 985,106</u>	<u>\$ 2,102,261</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Licenses and fees				
Interest income				
Miscellaneous income				
Transfers				
Loss on disposal of capital assets				
Proceeds from insurance recovery				
Special item - donated revenue				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (6,387,702)	\$ -	\$ (6,387,702)
(2,708,670)	-	(2,708,670)
(1,759,620)	-	(1,759,620)
(3,107,865)	-	(3,107,865)
(291,712)	-	(291,712)
(339,835)	-	(339,835)
<u>(14,595,404)</u>	<u>-</u>	<u>(14,595,404)</u>
-	(1,531,843)	(1,531,843)
-	1,074	1,074
-	125,557	125,557
<u>-</u>	<u>(1,405,212)</u>	<u>(1,405,212)</u>
<u>(14,595,404)</u>	<u>(1,405,212)</u>	<u>(16,000,616)</u>
671,981	-	671,981
9,995,673	425,682	10,421,355
230,015	-	230,015
1,191,991	-	1,191,991
298,127	-	298,127
145,983	105,583	251,566
485,096	307,571	792,667
20,000	(20,000)	-
(2,344)	-	(2,344)
18,348	-	18,348
598,520	-	598,520
<u>13,653,390</u>	<u>818,836</u>	<u>14,472,226</u>
(942,014)	(586,376)	(1,528,390)
<u>52,186,516</u>	<u>21,524,444</u>	<u>73,710,960</u>
<u>\$ 51,244,502</u>	<u>\$ 20,938,068</u>	<u>\$ 72,182,570</u>

STATE OF NEW MEXICO

Town of Taos
Balance Sheet
Governmental Funds
June 30, 2009

Exhibit B-1
Page 1 of 2

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 622,129	\$ 108,126	\$ 148,160	\$ 878,415
Restricted cash and cash equivalents	3,384	-	21,452	24,836
Investments	993,120	1,862,990	2,959,331	5,815,441
Receivables:				
Property taxes	214,215	-	-	214,215
Other taxes	668,615	52,577	175,574	896,766
Other	28,212	182,891	189,507	400,610
Due from other funds	191,145	-	-	191,145
<i>Total assets</i>	<u>\$ 2,720,820</u>	<u>\$ 2,206,584</u>	<u>\$ 3,494,024</u>	<u>\$ 8,421,428</u>
<i>Liabilities</i>				
Accounts payable	\$ 101,628	\$ 59,726	\$ 176,797	\$ 338,151
Accrued payroll	335,360	-	67,058	402,418
Deposits held in trust for others	3,384	-	5,082	8,466
Deferred revenue	176,588	-	-	176,588
Due to other funds	-	-	177,427	177,427
<i>Total liabilities</i>	<u>616,960</u>	<u>59,726</u>	<u>426,364</u>	<u>1,103,050</u>
<i>Fund balances</i>				
Reserved for:				
Future debt service payments	-	-	247,208	247,208
Unreserved, reported in:				
General fund	2,103,860	-	-	2,103,860
Special revenue funds	-	-	1,106,667	1,106,667
Capital projects funds	-	2,146,858	1,713,785	3,860,643
<i>Total fund balances</i>	<u>2,103,860</u>	<u>2,146,858</u>	<u>3,067,660</u>	<u>7,318,378</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,720,820</u>	<u>\$ 2,206,584</u>	<u>\$ 3,494,024</u>	<u>\$ 8,421,428</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2009

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	7,318,378
The Town has unamortized bond issuance costs. Bond issuance costs are not a current financial resource and, therefore, are not reported in the funds		170,443
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		52,195,699
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Deferred property taxes		176,588
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest		(41,142)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: Accrued compensated absences Bond premiums Bonds payable Loans payable Contracts payable		(681,424) (65,368) (6,945,000) (793,672) (90,000)
Total net assets of governmental activities	\$	<u>51,244,502</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Taos
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2009

Exhibit B-2
Page 1 of 2

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
<i>Revenues</i>				
Taxes				
Property	\$ 663,242	\$ -	\$ -	\$ 663,242
Gross receipts	8,358,951	701,453	935,269	9,995,673
Gasoline and motor vehicle taxes	186,781	-	43,234	230,015
Other	282,688	-	909,303	1,191,991
Intergovernmental income				
Federal operating grants	5,550	-	150,000	155,550
Federal capital grants	-	-	319,684	319,684
State operating grants	35,000	-	794,556	829,556
State capital grants	-	1,477,405	162,952	1,640,357
Charges for services	276,531	-	98,135	374,666
Licenses and fees	268,373	-	29,754	298,127
Interest income	49,573	64,737	31,673	145,983
Miscellaneous	112,513	-	372,583	485,096
<i>Total revenues</i>	<u>10,239,202</u>	<u>2,243,595</u>	<u>3,847,143</u>	<u>16,329,940</u>
<i>Expenditures</i>				
Current				
General government	4,081,394	-	1,792,231	5,873,625
Public safety	2,697,268	-	221,060	2,918,328
Public works	1,109,619	188,605	646,809	1,945,033
Culture and recreation	2,158,081	-	506,477	2,664,558
Health and welfare	-	-	669,840	669,840
Capital outlay	-	6,933,277	501,513	7,434,790
Debt service				
Principal	-	-	879,833	879,833
Interest	-	-	347,481	347,481
<i>Total expenditures</i>	<u>10,046,362</u>	<u>7,121,882</u>	<u>5,565,244</u>	<u>22,733,488</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>192,840</u>	<u>(4,878,287)</u>	<u>(1,718,101)</u>	<u>(6,403,548)</u>
<i>Other financing sources (uses)</i>				
Transfers in	411,461	67,663	3,278,546	3,757,670
Transfers out	(899,883)	(584,793)	(2,252,994)	(3,737,670)
Proceeds from insurance recovery	16,143	-	2,205	18,348
<i>Total other financing sources (uses)</i>	<u>(472,279)</u>	<u>(517,130)</u>	<u>1,027,757</u>	<u>38,348</u>
<i>Net change in fund balances</i>	(279,439)	(5,395,417)	(690,344)	(6,365,200)
<i>Fund balances - beginning of year</i>	<u>2,383,299</u>	<u>7,542,275</u>	<u>3,758,004</u>	<u>13,683,578</u>
<i>Fund balance - end of year</i>	<u>\$ 2,103,860</u>	<u>\$ 2,146,858</u>	<u>\$ 3,067,660</u>	<u>\$ 7,318,378</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

Exhibit B-2

Page 2 of 2

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2009

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

Net change in fund balances - total governmental funds	\$ (6,365,200)
--	----------------

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:

Capital expenditures recorded in capital outlay	7,434,790
Depreciation expense	(3,601,291)
Loss on disposal of capital assets	(2,344)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the funds:

Change in deferred revenue related to property taxes receivable	8,739
Capital asset recorded as a donated item	598,520

The issuance of long-term debt (e.g. bonds, loans, 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:

Amortization of bond issuance costs	(9,143)
Decrease in accrued interest	7,646
Decrease in accrued compensated absences	102,930
Amortization of bond premiums	3,506
Principal payments on bonds payable	775,000
Principal payments on loans payable	86,833
Payments on contracts payable	18,000

Change in net assets of governmental activities	<u>\$ (942,014)</u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

Town of Taos

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ending June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ 665,593	\$ 665,593	\$ 663,242	\$ (2,351)
Gross receipts	8,997,930	8,338,282	8,358,951	20,669
Gas and motor vehicle	131,817	182,666	186,781	4,115
Other	404,256	398,861	282,688	(116,173)
Intergovernmental income				
Federal operating grants	5,550	5,550	5,550	-
Federal capital grants	-	-	-	-
State operating grants	35,000	35,000	35,000	-
State capital grants	-	-	-	-
Charges for services	337,989	284,829	276,531	(8,298)
Licenses and fees	375,093	274,997	268,373	(6,624)
Interest income	310,167	61,591	49,573	(12,018)
Miscellaneous	141,626	135,404	112,513	(22,891)
<i>Total revenues</i>	<u>11,405,021</u>	<u>10,382,773</u>	<u>10,239,202</u>	<u>(143,571)</u>
<i>Expenditures</i>				
Current				
General government	5,044,500	4,318,647	4,081,394	237,253
Public safety	2,904,685	2,756,552	2,697,268	59,284
Public works	1,169,845	1,111,333	1,109,619	1,714
Culture and recreation	2,263,720	2,187,982	2,158,081	29,901
Health and welfare	-	-	-	-
Capital outlay	20,000	20,000	-	20,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,402,750</u>	<u>10,394,514</u>	<u>10,046,362</u>	<u>348,152</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,271</u>	<u>(11,741)</u>	<u>192,840</u>	<u>204,581</u>
<i>Other financing sources (uses)</i>				
Designated cash	(4,397,393)	(4,405,519)	-	4,405,519
Transfers in	5,394,201	5,394,201	411,461	(4,982,740)
Transfers out	(999,079)	(976,941)	(899,883)	77,058
Proceeds from insurance recovery	-	-	16,143	16,143
<i>Total other financing sources (uses)</i>	<u>(2,271)</u>	<u>11,741</u>	<u>(472,279)</u>	<u>(484,020)</u>
<i>Net change in fund balance</i>	-	-	(279,439)	(279,439)
<i>Fund balance - beginning of year</i>	-	-	2,383,299	2,383,299
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,103,860</u>	<u>\$ 2,103,860</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds		
	Water and Sewer	Solid Waste	Taos Regional Landfill
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 1,647,321	\$ 768,864	\$ 327,855
Investments	1,383,874	249,100	75,400
Customer receivables	330,525	154,077	109,476
Other receivables	10,779	1,778	-
Interfund receivable	-	-	97,000
<i>Total current assets</i>	<u>3,372,499</u>	<u>1,173,819</u>	<u>609,731</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	311,534	-	1,032,891
Capital assets	28,390,062	416,514	3,910,187
Less: accumulated depreciation	(11,857,712)	(337,476)	(709,886)
<i>Total noncurrent assets</i>	<u>16,843,884</u>	<u>79,038</u>	<u>4,233,192</u>
<i>Total assets</i>	<u>\$ 20,216,383</u>	<u>\$ 1,252,857</u>	<u>\$ 4,842,923</u>
<i>Liabilities and net assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 117,845	\$ 84,962	\$ 18,930
Accrued payroll	31,589	3,670	12,563
Meter deposits payable	237,066	-	-
Accrued compensated absences	26,622	2,682	13,028
Interfund payable	4,220	97,116	9,382
Accrued interest payable	63,729	-	5,769
Current portion of long-term debt	113,220	-	131,571
<i>Total current liabilities</i>	<u>594,291</u>	<u>188,430</u>	<u>191,243</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	13,693	-	7,970
Accrued landfill closure costs	-	-	325,853
Bonds payable	2,139,600	-	-
Loans payable	754,843	-	1,158,172
<i>Total noncurrent liabilities</i>	<u>2,908,136</u>	<u>-</u>	<u>1,491,995</u>
<i>Total liabilities</i>	<u>3,502,427</u>	<u>188,430</u>	<u>1,683,238</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	13,524,687	79,038	1,910,558
Unrestricted	3,189,269	985,389	1,249,127
<i>Total net assets</i>	<u>\$ 16,713,956</u>	<u>\$ 1,064,427</u>	<u>\$ 3,159,685</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	2,744,040
	1,708,374
	594,078
	12,557
	97,000
	<u>5,156,049</u>

	1,344,425
	32,716,763
	(12,905,074)
	<u>21,156,114</u>
\$	<u>26,312,163</u>

\$	221,737
	47,822
	237,066
	42,332
	110,718
	69,498
	244,791
	<u>973,964</u>

	21,663
	325,853
	2,139,600
	1,913,015
	<u>4,400,131</u>
	<u>5,374,095</u>

	15,514,283
	5,423,785
\$	<u>20,938,068</u>

STATE OF NEW MEXICO
Town of Taos
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds		
	Water and Sewer	Solid Waste	Taos Regional Landfill
<i>Operating revenues:</i>			
Charges for services	\$ 2,212,865	\$ 1,182,520	\$ 1,161,614
<i>Total operating revenues</i>	<u>2,212,865</u>	<u>1,182,520</u>	<u>1,161,614</u>
<i>Operating expenses:</i>			
Personnel services	625,507	77,927	306,512
Contractual services	1,341,958	718,119	405,116
Supplies	33,214	10,961	12,165
Maintenance and materials	145,690	43,425	138,374
Utilities	310,994	247,563	6,871
Depreciation	1,178,578	2,466	106,611
Other costs	34,181	626	15,496
<i>Total operating expenses</i>	<u>3,670,122</u>	<u>1,101,087</u>	<u>991,145</u>
<i>Operating income (loss)</i>	<u>(1,457,257)</u>	<u>81,433</u>	<u>170,469</u>
<i>Non-operating revenues (expenses):</i>			
Gross receipts taxes	425,682	-	-
Interest expense	(216,806)	-	(44,912)
Interest income	63,844	-	41,739
Miscellaneous income	66,191	51,853	109,168
<i>Total non-operating revenues (expenses)</i>	<u>338,911</u>	<u>51,853</u>	<u>105,995</u>
Government contributions	142,220	-	-
Transfers in	6,130	12,015	-
Transfers out	-	-	(38,145)
<i>Change in net assets</i>	<u>(969,996)</u>	<u>145,301</u>	<u>238,319</u>
<i>Net assets, beginning of year</i>	<u>17,683,952</u>	<u>919,126</u>	<u>2,921,366</u>
<i>Net assets, end of year</i>	<u>\$ 16,713,956</u>	<u>\$ 1,064,427</u>	<u>\$ 3,159,685</u>

The accompanying notes are an integral part of these financial statements

<hr/>	
Total	
<hr/>	
\$	4,556,999
<hr/>	
	4,556,999
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	1,009,946
	2,465,193
	56,340
	327,489
	565,428
	1,287,655
	50,303
<hr/>	
	5,762,354
<hr/>	
	(1,205,355)
<hr/>	
	425,682
	(261,718)
	105,583
	227,212
<hr/>	
	496,759
<hr/>	
	142,220
	18,145
	(38,145)
<hr/>	
	(586,376)
<hr/>	
	21,524,444
<hr/>	
\$	20,938,068
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STATE OF NEW MEXICO
Town of Taos
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds		
	Water and Sewer	Solid Waste	Taos Regional Landfill
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 2,226,299	\$ 1,157,632	\$ 1,085,064
Cash payments to employees for services	(591,100)	(77,861)	(290,633)
Cash payments to suppliers for goods and services	(1,994,022)	(1,019,104)	(707,687)
<i>Net cash provided (used) by operating activities</i>	<u>(358,823)</u>	<u>60,667</u>	<u>86,744</u>
<i>Cash flows from noncapital financing activities:</i>			
Gross receipts taxes	425,682	-	-
Miscellaneous income	66,191	51,853	109,168
Change in noncurrent accrued compensated absences	(25,937)	(1,738)	(16,705)
Interfund advances (payments) and transfers	5,678	116	(38,797)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>471,614</u>	<u>50,231</u>	<u>53,666</u>
<i>Cash flows from capital and related financing activities</i>			
State capital grants	142,220	-	-
Interest paid	(153,077)	-	(39,143)
Proceeds from issuance of long-term debt	32,480	-	-
Principal payments on long-term debt	(114,038)	-	(151,425)
Acquisition of capital assets	(471,557)	-	(639,488)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(563,972)</u>	<u>-</u>	<u>(830,056)</u>
<i>Cash flows from investing activities:</i>			
Proceeds from sales and maturities	284,552	-	-
Purchases of investments	(205,000)	(100,000)	(75,400)
Interest on investments	63,844	-	41,739
<i>Net cash provided (used) by investing activities</i>	<u>143,396</u>	<u>(100,000)</u>	<u>(33,661)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(307,785)	10,898	(723,307)
<i>Cash and cash equivalents - beginning of year</i>	<u>2,266,640</u>	<u>757,966</u>	<u>2,084,053</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,958,855</u>	<u>\$ 768,864</u>	<u>\$ 1,360,746</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (1,457,257)	\$ 81,433	\$ 170,469
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,178,578	2,466	106,611
Changes in assets and liabilities			
Receivables	13,434	(24,888)	(76,550)
Accounts payable	(138,346)	1,590	(219,943)
Accrued payroll expenses	7,785	(2,616)	2,851
Current accrued compensated absences	26,622	2,682	13,028
Accrued landfill closure costs	-	-	90,278
Meter deposits	10,361	-	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (358,823)</u>	<u>\$ 60,667</u>	<u>\$ 86,744</u>

The accompanying notes are an integral part of these financial statements

<hr/>	
	Total
	<hr/>
\$	4,468,995
	(959,594)
	<u>(3,720,813)</u>
	<u>(211,412)</u>

	425,682
	227,212
	(44,380)
	<u>(33,003)</u>
	<hr/>
	575,511
	<hr/>

	142,220
	(192,220)
	32,480
	(265,463)
	<u>(1,111,045)</u>
	<hr/>
	(1,394,028)
	<hr/>

	284,552
	(380,400)
	105,583
	<u>9,735</u>
	<hr/>
	(1,020,194)
	<hr/>
	5,108,659
	<hr/>
\$	<u>4,088,465</u>

\$ (1,205,355)

	1,287,655
	(88,004)
	(356,699)
	8,020
	42,332
	90,278
	<u>10,361</u>
	<hr/>
\$	<u>(211,412)</u>

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STATE OF NEW MEXICO

Exhibit E-1

Town of Taos
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2009

<i>Assets</i>	
Cash	\$ 863
Investments	<u>68,500</u>
Total assets	<u><u>\$ 69,363</u></u>
<i>Liabilities</i>	
Deposits payable	\$ 68,260
Due to other entities	<u>1,103</u>
Total liabilities	<u><u>\$ 69,363</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies

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

The Town of Taos is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Town is presented to assist in the understanding of Town's financial statements. The financial statements and notes are the representation of Town's management who is 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 governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The Town has elected not to follow the subsequent private sector guidance. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion 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.

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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 and fiduciary 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, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 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 government'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 revenue and other financing sources for the purpose of financing general-purpose capital projects.

The Town reports its proprietary funds as major funds. Proprietary funds include:

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

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

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

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Fiduciary Funds* account for resources held for others. They are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are used to account for assets that the Town holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services for the Town's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. *Assets, Liabilities and Net Assets or Equity*

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by San Juan County and remitted monthly to the Town .

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Town during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and improvements	10-50
Machinery and equipment	5-25
Infrastructure	10-50

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

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 carry over 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: 200 to 299 hours – 25% of hourly salary; 300 to 399 hours – 50% of hourly salary; 400 to 499 – 75% of hourly salary; 500 hours and above – 100% of hourly salary.

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.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance 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.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Net Assets or Fund Equity (continued)

Equity is classified as net assets and displayed in three components:

- a. Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Town’s financial statements include the allowance for uncollectible accounts in the joint utility fund and depreciation on capital assets.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The budgetary information presented in these financial statements has been properly amended by Town Council in accordance with the above procedures. These amendments resulted in the following changes:

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ 2,271	\$ (11,741)
Capital Projects Fund	\$ (7,151,311)	\$ (6,903,755)
Nonmajor Governmental Funds	\$ (2,536,203)	\$ (3,062,890)
Water and Sewer	\$ (925,470)	\$ (861,827)
Solid Waste	\$ (378,074)	\$ (338,076)
Taos Regional Landfill	\$ (841,213)	\$ (933,891)

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

NOTE 3. Deposits and Investments

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Town is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

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

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

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

On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, providing depositors with unlimited coverage for noninterest-bearing transaction accounts if their bank is a participant in the FDIC's Temporary Liquidity Guarantee Program. Noninterest-bearing checking accounts include Demand Deposit Accounts and any transaction account that has unlimited withdrawals and that cannot earn interest. Also included are low-interest NOW accounts that cannot earn more than 0.5% interest. Interest-bearing accounts include NOW accounts that can earn more than 0.5% interest, other-interest bearing checking accounts, Money Market Deposit Accounts, savings accounts, and Certificates of Deposit. This program is scheduled to end on December 31, 2009.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2009, \$3,848,554 of the Town’s deposits of \$6,053,483 was exposed to custodial credit risk. \$3,848,554 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the Town’s name and \$0 was uninsured and uncollateralized.

	First Community Bank	Centinel Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Amount of deposits	\$ 4,426,252	\$ 1,627,231	\$ 6,053,483
Transactions Deposits Accounts covered by the "Transactions Account Guarantee Program"	(77,698)	(1,449,731)	(1,527,429)
FDIC Coverage	<u>(500,000)</u>	<u>(177,500)</u>	<u>(677,500)</u>
Total uninsured public funds	<u>3,848,554</u>	<u>-</u>	<u>3,848,554</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	<u>3,848,554</u>	<u>-</u>	<u>3,848,554</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ 1,924,277	\$ -	\$ 1,924,277
Pledged Collateral	<u>4,272,008</u>	<u>390,000</u>	<u>4,662,008</u>
Over (Under) collateralized	<u>\$ 2,347,731</u>	<u>\$ 390,000</u>	<u>\$ 2,737,731</u>

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

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

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 Governments. The Local Government Investment Pool's 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. See Note 16, Subsequent Events, for additional information concerning the Town's investments in the State Treasurer Local Government Investment Pool.

Additionally, the Town has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the Town has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the Town.

The Town's investments at June 30, 2009 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
New Mexico Grow Local Government Investment Pool	AAAm	43 Days	\$ 6,785,629
Reserve Contingency Fund	Unrated	Does not earn interest	\$ 263,186
U.S. Treasury Money Market Mutual Funds *	AAA	>365 Days	\$ 637,927
New Mexico State Treasurer Debt Service *	AAA	>365 Days	\$ 71,236

*Restricted cash and cash equivalents per Exhibit A-1

Interest Rate Risk – Investments. The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Reconciliation to the Statement of Net Assets:

Unrestricted cash and cash equivalents per Exhibit A-1	\$ 3,622,455
Agency funds cash per Exhibit E-1	863
Certificates of deposits (maturity > 3 months)	543,500
Taos Regional Landfill restricted cash	419,566
Judicial Bond Fund Municipal Court restricted cash	3,384
Meter deposits restricted cash	237,066
Civic Center security deposits restricted cash	82
Plus reconciling items	1,228,067
Less petty cash	<u>(1,500)</u>
Bank balance of deposits	<u><u>\$ 6,053,483</u></u>

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 4. Receivables

Receivables as of June 30, 2009, are as follows:

Governmental Activities:	General	Capital Projects	Total Nonmajor Funds	Total
Property taxes receivable	\$ 214,215	\$ -	\$ -	\$ 214,215
Other taxes receivable:				
Gross receipts	658,963	52,577	70,102	781,642
Lodgers tax	-	-	101,233	101,233
Gasoline tax	9,652	-	3,737	13,389
Cigarette tax	-	-	502	502
Other receivables:				
Licenses and fees	28,212	-	-	28,212
State grants	-	182,891	189,507	372,398
Total gross receivables	<u>\$ 911,042</u>	<u>\$ 235,468</u>	<u>\$ 365,081</u>	<u>\$1,511,591</u>
Business-type Activities:	Water and Sewer	Solid Waste	Landfill	Total
Customer receivables	\$ 655,593	\$ 214,773	\$ 133,465	\$1,003,831
Other receivables:				
Licenses and fees	-	1,778	-	1,778
State grants	10,779	-	-	10,779
Total gross receivables	<u>666,372</u>	<u>216,551</u>	<u>133,465</u>	<u>1,016,388</u>
Less: allowance for doubtful accounts	<u>325,068</u>	<u>60,696</u>	<u>23,989</u>	<u>409,753</u>
Total net receivables	<u>\$ 341,304</u>	<u>\$ 155,855</u>	<u>\$ 109,476</u>	<u>\$ 606,635</u>

Receivables for governmental activities are considered to be 100% collectible.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue related to property taxes receivable for the Town for the year ended June 30, 2009 was \$176,588.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 5. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	1/4 Cent Municipal GRT	\$ 214,860
General Fund	2008 GRT Revenue Bond Reserve	174,601
General Fund	Airport Construction	22,000
Lodger's Tax	General Fund	138,388
Lodger's Tax	Capital Projects	96,370
Lodger's Tax	Community Grants	70,000
Lodger's Tax	Facilities Improvements	31,772
Local Government Correction	General Fund	9,000
Civic Center	General Fund	72,047
Civic Center	Lodger's Tax	337,287
Civic Center	Facilities Improvements	28,902
Public Transportation	General Fund	42,688
Public Transportation	Lodger's Tax	180,426
Community Grants	General Fund	230,000
Communications	General Fund	243,694
2001 GRT Revenue Bond Retirement	1/4 Cent Municipal GRT	74,510
2001 GRT Revenue Bond Retirement	Capital Projects	200
2001 GRT Revenue Bond Retirement	2001 GRT Revenue Bond Reserve	419,928
2008 GRT Revenue Bond Retirement	1/4 Cent Municipal GRT	402,606
1999 Gas Tax Revenue Bond Retirement	General Fund	164,066
1999 Gas Tax Revenue Bond Retirement	Municipal Road Gasoline Tax	45,555
1999 Gas Tax Revenue Bond Retirement	1999 Gas Tax Revenue Bond Reserve	4,112
2007 NMFA Land Purchase	1/4 Cent Municipal GRT	107,000
Facilities Improvements	1/4 Cent Municipal GRT	91,772
Facilities Improvements	Capital Projects	237,104
Capital Projects	1/4 Cent Municipal GRT	47,663
Capital Projects	Taos Regional Landfill	20,000
1999 Gasoline Tax Acquisition	Capital Projects	251,119
Water and Sewer	Taos Regional Landfill	6,130
Solid Waste	Taos Regional Landfill	12,015
		<u>\$ 3,775,815</u>

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2009 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	2001 GRT Revenue Bond Retirement	\$ 177,427
General Fund	Water and Sewer	4,220
General Fund	Solid Waste	116
General Fund	Taos Regional Landfill	9,382
Taos Regional Landfill	Solid Waste	97,000
		<u>\$ 288,145</u>

All interfund transactions are short-term and are expected to be repaid within a month.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land is not subject to depreciation.

	Balance June 30, 2008	Adjustments	Additions	Deletions	Balance June 30, 2009
Governmental activities:					
Capital assets, not depreciated:					
Land	\$ 5,943,036	\$ -	\$ 108,900	\$ -	\$ 6,051,936
Construction in progress	2,553,198	(427,699)	6,100,643	-	8,226,142
Total capital assets, not depreciated	<u>8,496,234</u>	<u>(427,699)</u>	<u>6,209,543</u>	<u>-</u>	<u>14,278,078</u>
Capital assets, depreciated:					
Land improvements	4,490,477	13,616	104,871	-	4,608,964
Buildings and improvements	22,111,118	259,529	920,438	-	23,291,085
Machinery and equipment	13,923,069	28,761	425,713	126,457	14,251,086
Infrastructure	45,543,099	125,793	372,745	-	46,041,637
Total capital assets, depreciated	<u>86,067,763</u>	<u>427,699</u>	<u>1,823,767</u>	<u>126,457</u>	<u>88,192,772</u>
Less accumulated depreciation:					
Land improvements	(2,864,120)	-	(244,213)	-	(3,108,333)
Buildings and improvements	(9,010,998)	-	(745,067)	-	(9,756,065)
Machinery and equipment	(8,915,523)	-	(1,064,249)	(124,113)	(9,855,659)
Infrastructure	(26,007,332)	-	(1,547,762)	-	(27,555,094)
Total accumulated depreciation	<u>(46,797,973)</u>	<u>-</u>	<u>(3,601,291)</u>	<u>(124,113)</u>	<u>(50,275,151)</u>
Net book value	<u>\$ 47,766,024</u>	<u>\$ -</u>	<u>\$ 4,432,019</u>	<u>\$ 2,344</u>	<u>\$ 52,195,699</u>

Depreciation expense for the year ended June 30, 2009 was charged to governmental activities as follows:

General Government	\$ 883,332
Public Safety	613,048
Public Works	1,701,393
Culture and recreation	403,518
	<u>\$ 3,601,291</u>

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets (continued)

	Balance June 30, 2008	Adjustments	Additions	Deletions	Balance June 30, 2009
Busines-type activities:					
Capital assets, not depreciated:					
Land	\$ 262,422	\$ -	\$ -	\$ -	\$ 262,422
Construction in progress	<u>3,383,782</u>	<u>(2,663,298)</u>	<u>823,292</u>	<u>-</u>	<u>1,543,776</u>
Total capital assets, not depreciated	<u>3,646,204</u>	<u>(2,663,298)</u>	<u>823,292</u>	<u>-</u>	<u>1,806,198</u>
Capital assets, depreciated:					
Land improvements	104,895	-	-	-	104,895
Buildings and improvements	3,976,878	-	25,030	-	4,001,908
Machinery and equipment	8,251,571	-	98,930	1,871	8,348,630
Infrastructure	<u>15,612,248</u>	<u>2,663,298</u>	<u>179,586</u>	<u>-</u>	<u>18,455,132</u>
Total capital assets, depreciated	<u>27,945,592</u>	<u>2,663,298</u>	<u>303,546</u>	<u>1,871</u>	<u>30,910,565</u>
Less accumulated depreciation:					
Land improvements	(71,002)	-	(5,792)	-	(76,794)
Buildings and improvements	(1,534,557)	-	(137,198)	-	(1,671,755)
Machinery and equipment	(5,187,668)	(3,380)	(302,959)	(1,473)	(5,492,534)
Infrastructure	<u>(4,822,285)</u>	<u>-</u>	<u>(841,706)</u>	<u>-</u>	<u>(5,663,991)</u>
Total accumulated depreciation	<u>(11,615,512)</u>	<u>(3,380)</u>	<u>(1,287,655)</u>	<u>(1,473)</u>	<u>(12,905,074)</u>
Net book value	<u>\$ 19,976,284</u>	<u>\$ (3,380)</u>	<u>\$ (160,817)</u>	<u>\$ 398</u>	<u>\$ 19,811,689</u>

Depreciation expense for the year ended June 30, 2009 was charged to business-type activities as follows:

Water and sewer	\$ 1,178,578
Solid waste	2,466
Landfill	<u>106,611</u>
	<u>\$ 1,287,655</u>

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Revenue Bonds	\$ 7,720,000	\$ -	\$ 775,000	\$ 6,945,000	\$ 400,000
NMFA Loan	880,505	-	86,833	793,672	89,293
USDA Contract Payable	108,000	-	18,000	90,000	18,000
Compensated Absences	784,354	266,279	369,209	681,424	369,209
Total Long-Term Debt	\$ 9,492,859	\$266,279	\$ 1,249,042	\$ 8,510,096	\$ 876,502

Revenue Bonds

At June 30, 2009, the Town had several revenue bonds outstanding. For the Series 1999 Gasoline Tax Revenue Bonds, the Town pledged revenues from the General and Municipal Road Gasoline Tax revenues. For the Series 2008 Gross Receipts Tax Revenue Bonds, the Town pledged revenues from the State-Shared Gross Receipts Tax revenues. The revenue bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2009
Series 1999 Gasoline Tax	03/01/99	10/01/12	3.60-4.75%	\$ 1,955,000	\$ 700,000
Series 2008 Gross Receipts Tax	01/30/08	06/01/26	4.00-5.00%	6,395,000	6,245,000
Total Revenue Bonds					\$ 6,945,000

The annual requirements to amortize the revenue bonds as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 400,000	\$ 282,000	\$ 682,000
2011	415,000	265,278	680,278
2012	435,000	247,755	682,755
2013	450,000	229,188	679,188
2014	280,000	209,800	489,800
2015-2019	1,690,000	1,081,250	2,771,250
2020-2024	1,760,000	248,260	2,008,260
2025-2029	1,515,000	63,630	1,578,630
	\$ 6,945,000	\$ 2,627,161	\$ 9,572,161

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

NMFA Loan

The Town entered into a loan agreement with the New Mexico Finance Authority, wherein the Town pledged revenue derived from State-Shared Gross Receipts Tax to cover debt service. This revenue is not subject to intercept agreements. The NMFA loan is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2009
NMFA Land Purchase Loan	04/13/07	05/01/17	3.32-3.73%	\$ 954,000	\$ 793,672

The annual requirements to amortize the NMFA loan as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 89,293	\$ 22,437	\$ 111,730
2011	91,860	20,100	111,960
2012	94,540	17,656	112,196
2013	97,362	15,077	112,439
2014	100,326	12,364	112,690
2015-2019	320,291	19,363	339,654
	<u>\$ 793,672</u>	<u>\$ 106,997</u>	<u>\$ 900,669</u>

USDA Contract Payable

At June 30, 2009, the Town had the following USDA contract payable:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2009
USDA Contract Payable	02/01/95	06/30/14	0.00%	\$ 360,000	\$ 90,000

The annual requirements to amortize the USDA contract payable as of June 30, 2008, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 18,000	\$ -	\$ 18,000
2011	18,000	-	18,000
2012	18,000	-	18,000
2013	18,000	-	18,000
2014	18,000	-	18,000
	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

In prior years, the debt service funds have typically been used to liquidate long-term liabilities other than debt associated with the USDA contract payable which is liquidated by the facilities improvements capital projects fund.

Proprietary Funds

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Revenue Bonds	\$ 2,216,600	\$ -	\$ 37,000	\$ 2,179,600	\$ 40,000
NMFA and RUS Loans	2,313,789	32,480	228,463	2,117,806	204,791
Landfill Closure Liability	235,575	90,278	-	325,853	-
Compensated Absences	66,043	40,284	42,332	63,995	42,332
Total Long-Term Debt	\$ 4,832,007	\$163,042	\$ 307,795	\$ 4,687,254	\$ 287,123

Revenue Bonds

At June 30, 2009, the Town had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2009
Series 1993A Water & Sewer	03/16/93	03/16/33	5.63%	\$ 635,600	\$ 527,600
Series 1993B Water & Sewer	03/16/93	03/16/33	5.50%	123,000	103,000
Series 1995A Utility	12/05/95	12/05/35	5.125%	1,315,000	1,126,000
Series 1998A Water & Sewer	07/01/99	01/01/38	4.75%	475,000	423,000
Total Revenue Bonds					\$ 2,179,600

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 40,000	\$ 113,477	\$ 153,477
2011	41,000	111,382	152,382
2012	43,000	109,235	152,235
2013	46,000	106,982	152,982
2014	49,000	104,572	153,572
2015-2019	286,000	481,498	767,498
2020-2024	369,000	398,309	767,309
2025-2029	477,000	290,787	767,787
2030-2034	577,600	150,979	728,579
2035-2039	251,000	24,576	275,576
	<u>\$ 2,179,600</u>	<u>\$ 1,891,797</u>	<u>\$ 4,071,397</u>

NMFA and USDA Loans

The Town entered into loan agreements with the New Mexico Finance Authority and USDA. These loans are not subject to intercept agreements. The loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2009
RUS Series 2000A Water & Sewer	12/18/00	12/18/40	5.00%	\$ 250,000	\$ 231,000
NMFA Series 2001A Water & Sewer	05/11/01	05/01/21	4.16-5.41%	950,391	597,063
NMFA Taos Regional Landfill	04/23/04	05/01/14	.79-3.34%	1,372,684	372,554
NMFA Series 2008A Landfill	04/11/08	05/01/18	2.72-3.58%	1,000,000	917,189
Total Loans					<u>\$ 2,117,806</u>

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

The annual requirement to amortize the loans as of June 30, 2009, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 204,791	\$ 71,014	\$ 275,805
2011	210,349	65,728	276,077
2012	216,353	59,921	276,274
2013	222,851	53,597	276,448
2014	230,776	46,765	277,541
2015-2019	762,051	141,497	903,548
2020-2024	103,635	50,321	153,956
2025-2029	33,000	38,600	71,600
2030-2034	44,000	29,350	73,350
2035-2039	56,000	17,150	73,150
2040-2044	34,000	2,750	36,750
	<u>\$ 2,117,806</u>	<u>\$ 576,693</u>	<u>\$ 2,694,499</u>

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2009, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town of Taos.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

During 2009, the Town contributed \$663,003 to the New Mexico Self-Insurer's Fund.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The deficit fund balances as of June 30, 2009 were as follows:

Governmental Funds:	
Airport Construction	<u>\$ 1,877</u>

The fund balance has a deficit because expenditures were in excess of revenues and available cash and there were not sufficient transfers to cover the deficit. Budget line items will be strictly monitored and reviewed to ensure funds operate within the approved budget.

- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is fund level. The following fund exceeded approved budgetary authority for the year ended June 30, 2009:

	<u>Excess</u>
Lodger's Tax	<u>\$ 33,509</u>

The Town will revise and strictly enforce a year-end process throughout all departments.

- C. Designated cash appropriations in excess of available balances. Budgetary level is fund level. There were not any funds in which there were designated cash appropriations in excess of available balances for the year ended June 30, 2009.

NOTE 10. PERA Pension Plan

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

Funding Policy. Municipal general member coverage plan 1 members are required to contribute 9.15% of their gross salary. The Town is required to contribute 13.15% of the covered salary for "municipal general member coverage plan 1" members. Municipal police coverage plan 1 members are required to contribute 9.15% of their gross salary. The Town is required to contribute 25.65% of the covered salary for "municipal police coverage plan 1" members. Municipal fire member coverage plan 1 members are required to contribute 9.15% of their gross salary. The Town is required to contribute 28.30% of the covered salary for "municipal fire member coverage plan 1" members. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$964,168, \$640,410 and \$581,742, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

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

Plan Description. The Town contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined 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 plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The 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 RCHA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$76,488, \$75,902 and \$66,225, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 12. Contingent Liabilities

There is not any pending litigation that would warrant disclosure in the notes to the financial statements.

NOTE 13. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 14. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the Town place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs is \$325,853 as of June 30, 2009, which is based on 25 percent usage (filled) of the landfill. It is estimated that an additional \$977,557 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is currently expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$1,303,410) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2009. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In addition, the Town is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The Town is in compliance with these requirements, and at June 30, 2009, cash of \$419,566 is part of the pooled funds held by the Town and is presented as restricted cash on the statement of net assets.

NOTE 15. Construction and Other Significant Commitments

The Town has committed to pay for several construction contracts that were not completed at June 30, 2009 in the amount of \$818,053 as follows:

<u>Project Description</u>	<u>Contract Amount Remaining</u>	<u>Estimated Date of Completion</u>	<u>Contractor</u>
Town Hall Construction	\$ 221,090	November 2009	Gerald Martin
Taos Community Auditorium	105,323	November 2009	Michael S. Rich Contractors
Snow Removal Equipment	302,150	November 2009	Kodiak Northwest
Cell No. 2A & 2B Landfill	189,490	November 2009	Parker Excavating
	<u>\$ 818,053</u>		

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 16. Subsequent Events

In July 2009, the Town entered into a grant/loan agreement with the New Mexico Water Trust Board (grantors) and the New Mexico Finance Authority (lenders) totaling \$1,300,000. The funding breakdown will consist of a loan in the amount of \$130,000 and a grant in the amount of \$1,170,000 for the cost associated with phase two of a four phase Wastewater Treatment Plant Rehabilitation Project.

In July 2009, the Town entered into a grant/loan agreement with the New Mexico Water Trust Board (grantors) and the New Mexico Finance Authority (lenders) totaling \$3,000,000. The funding breakdown will consist of a loan in the amount of \$600,000 and a grant in the amount of \$2,400,000 for the cost associated with the beginning of phase three of a four phase Wastewater Treatment Plant Rehabilitation Project.

In October 2009, The Town accepted funding under the American Recovery and Reinvestment Act (ARRA) for wastewater treatment plant phase two and three upgrades. The funding for this project consists of \$1,000,000 in loan funds from the base Clean Water State Revolving Fund (CWSRF) program and \$2,100,000 in grant funds from the ARRA CWSRF grant. Both of the funds are through the New Mexico Environment Department Construction Programs Bureau.

In October 2009, the Town entered into a loan/intercept agreement with the New Mexico Finance Authority (NMFA), in the principal amount of \$2,213,469 for the purpose of constructing phase one of a multi-phase recreation park. A portion of the Town's municipal infrastructure gross receipts tax will be redirected by the New Mexico State Taxation and Revenue Department to NMFA for debt service payments.

LGIP Investment in the Reserve Primary Fund

The New Mexico State Treasurer's Office invested a portion of the LGIP in the Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, the Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen. Since September 2008, the Reserve Primary Fund has returned approximately \$0.90 per share to shareholders. On February 26, 2009, the Reserve Primary Fund announced that it was withholding \$3.5 billion of the Fund's assets for anticipated and pending litigation against it, which amount could increase or decrease as the Fund evaluates information related to such litigation. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date. The total remaining Reserve Primary Fund position as of June 30, 2009 is \$39.5 million. The LGIP's remaining position in the Reserve Primary Fund is a non-performing asset.

On May 5, 2009, the U.S. Securities and Exchange Commission ("SEC") filed a civil lawsuit in federal court against the operators of the Reserve Primary Fund, alleging fraud; seeking the pro rata distribution of the remaining Fund's assets; and seeking the release of the \$3.5 billion currently being withheld from investors pending the outcome of the lawsuits against the Reserve Primary Fund. The court is scheduled to hold a hearing on the SEC's proposed plan of distribution on September 23, 2009.

On May 20, 2009, the New Mexico Attorney General filed a civil complaint and injunction petition in state district court against the Reserve Primary Fund. The Attorney General's complaint alleges that the Fund setting aside \$3.5 billion to pay legal fees and expenses is a willful and intentional conversion of the investors' assets and a breach of contract. The complaint further alleges that the Fund's failure to honor redemption requests on September 16, 2008 is a breach of contract. Additionally, the Attorney General's injunction petition seeks the release of the investors' pro rata share of the \$3.5 billion the Reserve Primary Fund set aside for its anticipated and pending legal costs.

The New Mexico State Treasurer's Office believes that the Reserve Primary Fund will ultimately end up distributing between 98.38% and 98.77% of the balance that the LGIP had in the Reserve Primary Fund as of September 15, 2008. This means that of the remaining undistributed balance as of June 30, 2009, it is expected the LGIP is to recover between 83.84% and 87.78%. Uncertainty remains, however, as to the timing of these distributions.

STATE OF NEW MEXICO

Town of Taos

Notes to Financial Statements

June 30, 2009

NOTE 17. Restricted Net Assets

The government-wide statement of net assets reports \$7,419,536 of restricted net assets, all of which is restricted by enabling legislation. See pages 62 to 65 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 18. Utility Revenues Pledged

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$635,600 in Series 1993A Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$527,600 and \$447,324, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,240 and \$(1,457,257), respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$123,000 in Series 1993B Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$103,000 and \$89,760, respectively. Principal and interest paid for the current year and total customer net revenues were \$7,775 and \$(1,457,257), respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$1,315,000 in Series 1995A Water & Sewer Revenue Bonds, issued in 1995. The bonds are payable solely from utility customer net revenues and are payable through December 2035. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,126,000 and \$978,265, respectively. Principal and interest paid for the current year and total customer net revenues were \$77,682 and \$(1,457,257), respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$475,000 in Series 1998A Water & Sewer Revenue Bonds, issued in 1999. The bonds are payable solely from utility customer net revenues and are payable through January 2038. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$423,000 and \$376,448, respectively. Principal and interest paid for the current year and total customer net revenues were \$26,377 and \$(1,457,257), respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 18. Utility Revenues Pledged (continued)

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$250,000 in RUS Series 2000A Water & Sewer Loan, issued in 2000. The loans are payable solely from utility customer net revenues and are payable through December 2040. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan is \$231,000 and \$241,800, respectively. Principal and interest paid for the current year and total customer net revenues were \$14,700 and \$(1,457,257), respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$950,391 in NMFA Series 2001A Water & Sewer Loan, issued in 2001. The loans are payable solely from utility customer net revenues and are payable through May 2021. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan is \$597,063 and \$169,253, respectively. Principal and interest paid for the current year and total customer net revenues were \$67,861 and \$(1,457,257), respectively.

The Town of Taos has pledged future revenues from the distribution of the Municipal Environmental Services Gross Receipts Tax revenue, to repay \$1,372,684 in NMFA Taos Regional Landfill Loan, issued in 2004. The loans are payable solely from the Municipal Environmental Services GRT revenue and are payable through May 2014. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan is \$372,554 and \$35,341, respectively. Principal and interest paid for the current year and total customer net revenues were \$80,921 and \$151,037, respectively.

The Town of Taos has pledged future revenues from the Taos Regional Landfill system, net of operation and maintenance expenses, to repay \$1,000,000 in NMFA Series 2008A Landfill Loan, issued in 2008. The loans are payable solely from utility customer net revenues and are payable through May 2018. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan is \$917,189 and \$130,299, respectively. Principal and interest paid for the current year and total customer net revenues were \$109,647 and \$260,747, respectively.

NOTE 19. Related Parties

The Town had transactions with two entities during the year ended June 30, 2009 which are considered to be related parties. DMC Broadcasting, Inc., owned by Mayor Darren Cordova, performed advertising services for the Town for a total amount of \$30,876 during the year and Abeyta Engineering, Inc., owned by Council Member Abeyta's brother, performed engineering services for the Town for a total amount of \$44,686 during the year.

STATE OF NEW MEXICO
Town of Taos
Notes to Financial Statements
June 30, 2009

NOTE 20. Subsequent Pronouncements

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Town is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Town is analyzing the effect that this standard will have on the financial statements.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2009

Special Revenue Funds

Fire Protection

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

Recreation

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

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 Government Correction

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

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 purposes: (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

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.

Domestic Violence Shelter

This fund was created to receive the appropriations and grants for the purpose of construction and maintaining the Domestic Violence Shelter Home. Authority is Town Council resolution.

Public Transportation

To account for the portion of Lodger's Tax receipts allocated for the purpose of providing transportation to the public. Authority is Town Council resolution.

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Town of Taos
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June 30, 2009

Special Revenue Funds (continued)

Community Grants

To account for various small grants for various community purposes. Each grant is authorized by the granting agency. The fund is authorized by Town Council resolution.

Municipal Road Gasoline Tax

To account for a 1 cent 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

To account for 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.

Communications

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.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2009

Debt Service Funds

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. Authority is Town Council resolution.

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. Authority is Town Council resolution.

1999 Gasoline Tax Revenue Bond Retirement

This fund was created with transfers from the Gas Tax Fund for the purpose of repayment of the Series 1999 Gasoline Tax Revenue Bonds. Authority is Town Council resolution.

2008 Gross Receipts Tax Revenue Bond Reserve

This fund was created for the purpose of accumulating monies for payment of principal and interest on Series 2008 Gross Receipts Tax Revenue Bonds. Authority is Town Council resolution.

1999 Gasoline Tax Revenue Bond Reserve

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 Gasoline Tax Revenue Bonds. Authority is Town Council resolution.

2007 NMFA Land Purchase

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. Authority is Town Council resolution.

2001 Gross Receipts Tax Revenue Bond Reserve

To accumulate monies for the payment of interest and principal on Series 2001 Gross Receipts Tax Revenue Bonds. Authority is Town Council resolution.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2009

Capital Projects Funds

Facilities Improvements

This fund was created to receive transfers from other funds for the purpose of improving facilities of the Town. Authority is Town Council resolution.

Airport Construction

This fund was created to receive proceeds from federal and state grants for the purpose of financing improvements to the Taos Municipal Airport. Authority is Town Council resolution.

Enhanced 911

This fund was created to receive grants and transfers for the purpose of expanding benefits of the basic 911 emergency telephone number to achieve faster response time. Authority is Town Council resolution.

Vehicle Replacement

This fund is created to receive transfers from other funds for the purpose of purchasing vehicles for the Town of Taos. Authority is Town Council resolution.

1994 Gross Receipts Tax Revenue Bond Acquisition

This fund was created to receive the 1994 Gross Receipts Tax Bond proceeds for the purpose of construction of affordable housing. Authority is Town Council resolution.

1999 Gasoline Tax Acquisition

This fund was created to receive the bond proceeds and to account for the capital outlay associated with the bond issue. Authority is Town Council resolution.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Government Correction
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 9,059	\$ 14,691	\$ 182	\$ 10,258
Restricted cash and cash equivalents	-	-	-	-
Investments	299,220	72,000	40,000	7,000
Receivables:				
Other taxes	-	502	101,233	-
Other	-	-	-	-
<i>Total assets</i>	\$ 308,279	\$ 87,193	\$ 141,415	\$ 17,258
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 87	\$ 57,105	\$ 14,430
Accrued payroll	-	-	8,275	-
Deposits held in trust for others	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	87	65,380	14,430
<i>Fund balances</i>				
Reserved for:				
Future debt service payments	-	-	-	-
Unreserved				
Special revenue	308,279	87,106	76,035	2,828
Capital projects	-	-	-	-
<i>Total fund balances</i>	308,279	87,106	76,035	2,828
<i>Total liabilities and fund balances</i>	\$ 308,279	\$ 87,193	\$ 141,415	\$ 17,258

The accompanying notes are an integral part of these financial statements

Special Revenue

Law Enforcement Protection	Civic Center	Domestic Violence Shelter	Public Transportation	Community Grants	Municipal Road Gasoline Tax
\$ 7,594	\$ 30,488	\$ 1	\$ 3,895	\$ 5,498	\$ -
-	82	-	-	-	-
-	27,000	-	-	277,000	-
-	-	-	-	-	3,737
32,000	-	451	19,473	43,898	-
<u>\$ 39,594</u>	<u>\$ 57,570</u>	<u>\$ 452</u>	<u>\$ 23,368</u>	<u>\$ 326,396</u>	<u>\$ 3,737</u>
\$ 2,565	\$ 3,565	\$ -	\$ 3,794	\$ 22,661	\$ -
-	15,551	-	15,845	3,823	-
-	5,082	-	-	-	-
-	-	-	-	-	-
<u>2,565</u>	<u>24,198</u>	<u>-</u>	<u>19,639</u>	<u>26,484</u>	<u>-</u>
-	-	-	-	-	-
37,029	33,372	452	3,729	299,912	3,737
-	-	-	-	-	-
<u>37,029</u>	<u>33,372</u>	<u>452</u>	<u>3,729</u>	<u>299,912</u>	<u>3,737</u>
<u>\$ 39,594</u>	<u>\$ 57,570</u>	<u>\$ 452</u>	<u>\$ 23,368</u>	<u>\$ 326,396</u>	<u>\$ 3,737</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Special Revenue		Debt Service	
	1/4 Cent Municipal Gross Receipts Tax	Communications	2001 Gross Receipts Tax Revenue Bond Retirement	2008 Gross Receipts Tax Revenue Bond Retirement
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ -	\$ 25,766	\$ -	\$ 230
Restricted cash and cash equivalents	-	-	-	-
Investments	-	182,000	177,500	-
Receivables:				
Other taxes	70,102	-	-	-
Other	-	-	-	-
<i>Total assets</i>	<u>\$ 70,102</u>	<u>\$ 207,766</u>	<u>\$ 177,500</u>	<u>\$ 230</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 116	\$ -	\$ -
Accrued payroll	-	23,564	-	-
Deposits held in trust for others	-	-	-	-
Due to other funds	-	-	177,427	-
<i>Total liabilities</i>	<u>-</u>	<u>23,680</u>	<u>177,427</u>	<u>-</u>
<i>Fund balances</i>				
Reserved for:				
Future debt service payments	-	-	73	230
Unreserved				
Special revenue	70,102	184,086	-	-
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>70,102</u>	<u>184,086</u>	<u>73</u>	<u>230</u>
<i>Total liabilities and fund balances</i>	<u>\$ 70,102</u>	<u>\$ 207,766</u>	<u>\$ 177,500</u>	<u>\$ 230</u>

The accompanying notes are an integral part of these financial statements

Debt Service				Capital Projects	
1999 Gasoline Tax Revenue Bond Retirement	2008 Gross Receipts Tax Revenue Bond Reserve	1999 Gasoline Tax Revenue Bond Reserve	2007 NMFA Land Purchase	2001 Gross Receipts Tax Revenue Bond Reserve	Facilities Improvements
\$ 6,614	\$ -	\$ -	\$ 3,421	\$ -	\$ 9,348
-	-	-	21,370	-	-
20,000	-	195,500	-	-	70,000
-	-	-	-	-	-
-	-	-	-	-	5,198
<u>\$ 26,614</u>	<u>\$ -</u>	<u>\$ 195,500</u>	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ 84,546</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,881
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,881</u>
26,614	-	195,500	24,791	-	-
-	-	-	-	-	-
-	-	-	-	-	81,665
<u>26,614</u>	<u>-</u>	<u>195,500</u>	<u>24,791</u>	<u>-</u>	<u>81,665</u>
<u>\$ 26,614</u>	<u>\$ -</u>	<u>\$ 195,500</u>	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ 84,546</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

	Capital Projects			
	Airport Construction	Enhanced 911	Vehicle Replacement	1994 Gross Receipts Tax Revenue Bond Acquisition
<i>Assets</i>				
Unrestricted cash and cash equivalents	\$ 4,398	\$ 309	\$ 2,028	\$ 7,707
Restricted cash and cash equivalents	-	-	-	-
Investments	34,000	25,000	201,000	771,238
Receivables:				
Other taxes	-	-	-	-
Other	23,818	-	-	-
<i>Total assets</i>	\$ 62,216	\$ 25,309	\$ 203,028	\$ 778,945
<i>Liabilities</i>				
Accounts payable	\$ 64,093	\$ -	\$ -	\$ 5,500
Accrued payroll	-	-	-	-
Deposits held in trust for others	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	64,093	-	-	5,500
<i>Fund balances</i>				
Reserved for:				
Future debt service payments	-	-	-	-
Unreserved				
Special revenue	-	-	-	-
Capital projects	(1,877)	25,309	203,028	773,445
<i>Total fund balances</i>	(1,877)	25,309	203,028	773,445
<i>Total liabilities and fund balances</i>	\$ 62,216	\$ 25,309	\$ 203,028	\$ 778,945

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	
<u>1999 Gasoline Tax Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 6,673	\$ 148,160
-	21,452
560,873	2,959,331
-	175,574
64,669	189,507
<u>\$ 632,215</u>	<u>\$ 3,494,024</u>
\$ -	\$ 176,797
-	67,058
-	5,082
-	177,427
<u>-</u>	<u>426,364</u>
-	247,208
-	1,106,667
632,215	1,713,785
<u>632,215</u>	<u>3,067,660</u>
<u>\$ 632,215</u>	<u>\$ 3,494,024</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Governmental Correction
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	15,548	893,755	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	195,200	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	20,056	-
Licenses and fees	-	-	-	29,279
Interest income	-	-	-	-
Miscellaneous	249	20,535	5,411	-
<i>Total revenues</i>	<u>195,449</u>	<u>36,083</u>	<u>919,222</u>	<u>29,279</u>
<i>Expenditures</i>				
Current				
General government	-	-	756,109	-
Public safety	101,311	-	-	92,172
Public works	-	-	-	-
Culture and recreation	-	24,193	-	-
Health and welfare	-	-	-	-
Capital outlay	46,429	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>147,740</u>	<u>24,193</u>	<u>756,109</u>	<u>92,172</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>47,709</u>	<u>11,890</u>	<u>163,113</u>	<u>(62,893)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	336,530	9,000
Transfers out	-	-	(517,713)	-
Proceeds from insurance recovery	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(181,183)</u>	<u>9,000</u>
<i>Net change in fund balances</i>	47,709	11,890	(18,070)	(53,893)
<i>Fund balances - beginning of year</i>	<u>260,570</u>	<u>75,216</u>	<u>94,105</u>	<u>56,721</u>
<i>Fund balances - end of year</i>	<u>\$ 308,279</u>	<u>\$ 87,106</u>	<u>\$ 76,035</u>	<u>\$ 2,828</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Law Enforcement Protection</u>	<u>Civic Center</u>	<u>Domestic Violence Shelter</u>	<u>Public Transportation</u>	<u>Community Grants</u>	<u>Municipal Road Gasoline Tax</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	43,234
-	-	-	-	-	-
-	-	150,000	-	-	-
-	-	-	-	-	-
64,600	-	-	228,128	306,628	-
-	-	-	-	-	-
-	78,079	-	-	-	-
-	475	-	-	-	-
-	-	-	-	-	-
-	276	-	54,867	-	-
<u>64,600</u>	<u>78,830</u>	<u>150,000</u>	<u>282,995</u>	<u>306,628</u>	<u>43,234</u>
-	-	-	-	485,036	-
27,577	-	-	-	-	-
-	-	-	-	-	-
-	482,284	-	-	-	-
-	-	149,549	520,291	-	-
-	-	-	-	8,358	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,577</u>	<u>482,284</u>	<u>149,549</u>	<u>520,291</u>	<u>493,394</u>	<u>-</u>
<u>37,023</u>	<u>(403,454)</u>	<u>451</u>	<u>(237,296)</u>	<u>(186,766)</u>	<u>43,234</u>
-	438,236	-	223,114	230,000	-
-	-	-	-	(70,000)	(45,555)
-	-	-	2,205	-	-
<u>-</u>	<u>438,236</u>	<u>-</u>	<u>225,319</u>	<u>160,000</u>	<u>(45,555)</u>
37,023	34,782	451	(11,977)	(26,766)	(2,321)
6	(1,410)	1	15,706	326,678	6,058
<u>\$ 37,029</u>	<u>\$ 33,372</u>	<u>\$ 452</u>	<u>\$ 3,729</u>	<u>\$ 299,912</u>	<u>\$ 3,737</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Special Revenue		Debt Service	
	1/4 Cent Municipal Gross Receipts Tax	Communications	2001 Gross Receipts Tax Revenue Bond Retirement	2008 Gross Receipts Tax Revenue Bond Retirement
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 935,269	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	270,695	-	-
<i>Total revenues</i>	<u>935,269</u>	<u>270,695</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	548,383	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	6,948	-	-
Debt service				
Principal	-	-	470,000	150,000
Interest	-	-	24,675	261,825
<i>Total expenditures</i>	<u>-</u>	<u>555,331</u>	<u>494,675</u>	<u>411,825</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>935,269</u>	<u>(284,636)</u>	<u>(494,675)</u>	<u>(411,825)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	243,694	494,638	402,606
Transfers out	(938,411)	-	-	-
Proceeds from insurance recovery	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(938,411)</u>	<u>243,694</u>	<u>494,638</u>	<u>402,606</u>
<i>Net change in fund balances</i>	(3,142)	(40,942)	(37)	(9,219)
<i>Fund balances - beginning of year</i>	<u>73,244</u>	<u>225,028</u>	<u>110</u>	<u>9,449</u>
<i>Fund balances - end of year</i>	<u>\$ 70,102</u>	<u>\$ 184,086</u>	<u>\$ 73</u>	<u>\$ 230</u>

The accompanying notes are an integral part of these financial statements

		Debt Service			Capital Projects	
1999 Gasoline Tax Revenue Bond Retirement	2008 Gross Receipts Tax Revenue Bond Reserve	1999 Gasoline Tax Revenue Bond Reserve	2007 NMFA Land Purchase	2001 Gross Receipts Tax Revenue Bond Reserve	Facilities Improvements	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	20,910	
-	-	-	-	-	-	
-	4,101	4,112	612	7,428	-	
-	-	-	-	-	-	
<u>-</u>	<u>4,101</u>	<u>4,112</u>	<u>612</u>	<u>7,428</u>	<u>20,910</u>	
500	-	-	2,203	-	-	
-	-	-	-	-	-	
-	-	-	-	-	215,466	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	66,487	
155,000	-	-	86,833	-	18,000	
36,308	-	-	24,673	-	-	
<u>191,808</u>	<u>-</u>	<u>-</u>	<u>113,709</u>	<u>-</u>	<u>299,953</u>	
<u>(191,808)</u>	<u>4,101</u>	<u>4,112</u>	<u>(113,097)</u>	<u>7,428</u>	<u>(279,043)</u>	
213,733	-	-	107,000	-	328,876	
-	(174,601)	(4,112)	-	(419,928)	(60,674)	
-	-	-	-	-	-	
<u>213,733</u>	<u>(174,601)</u>	<u>(4,112)</u>	<u>107,000</u>	<u>(419,928)</u>	<u>268,202</u>	
21,925	(170,500)	-	(6,097)	(412,500)	(10,841)	
4,689	170,500	195,500	30,888	412,500	92,506	
<u>\$ 26,614</u>	<u>\$ -</u>	<u>\$ 195,500</u>	<u>\$ 24,791</u>	<u>\$ -</u>	<u>\$ 81,665</u>	

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	Capital Projects			
	Airport Construction	Enhanced 911	Vehicle Replacement	1994 Gross Receipts Tax Revenue Bond Acquisition
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	319,684	-	-	-
State operating grants	-	-	-	-
State capital grants	9,771	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	10,102
Miscellaneous	-	-	1,560	18,990
<i>Total revenues</i>	<u>329,455</u>	<u>-</u>	<u>1,560</u>	<u>29,092</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	331,075	-	-	93,576
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	35,300	-	56,145	13,232
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>366,375</u>	<u>-</u>	<u>56,145</u>	<u>106,808</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(36,920)</u>	<u>-</u>	<u>(54,585)</u>	<u>(77,716)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	(22,000)	-	-	-
Proceeds from insurance recovery	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(58,920)	-	(54,585)	(77,716)
<i>Fund balances - beginning of year</i>	<u>57,043</u>	<u>25,309</u>	<u>257,613</u>	<u>851,161</u>
<i>Fund balances - end of year</i>	<u>\$ (1,877)</u>	<u>\$ 25,309</u>	<u>\$ 203,028</u>	<u>\$ 773,445</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	
<u>1999 Gasoline Tax Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 935,269
-	43,234
-	909,303
-	150,000
-	319,684
-	794,556
132,271	162,952
-	98,135
-	29,754
5,318	31,673
-	372,583
<u>137,589</u>	<u>3,847,143</u>
-	1,792,231
-	221,060
6,692	646,809
-	506,477
-	669,840
268,614	501,513
-	879,833
-	347,481
<u>275,306</u>	<u>5,565,244</u>
<u>(137,717)</u>	<u>(1,718,101)</u>
251,119	3,278,546
-	(2,252,994)
-	2,205
<u>251,119</u>	<u>1,027,757</u>
113,402	(690,344)
<u>518,813</u>	<u>3,758,004</u>
<u>\$ 632,215</u>	<u>\$ 3,067,660</u>

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STATE OF NEW MEXICO

Statement B- 1

Town of Taos

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	195,200	195,200	195,200	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	249	249
<i>Total revenues</i>	<u>195,200</u>	<u>195,200</u>	<u>195,449</u>	<u>249</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	354,770	348,812	101,311	247,501
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	101,000	106,958	46,429	60,529
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>455,770</u>	<u>455,770</u>	<u>147,740</u>	<u>308,030</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(260,570)</u>	<u>(260,570)</u>	<u>47,709</u>	<u>308,279</u>
<i>Other financing sources (uses)</i>				
Designated cash	260,570	260,570	-	(260,570)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>260,570</u>	<u>260,570</u>	<u>-</u>	<u>(260,570)</u>
<i>Net change in fund balance</i>	-	-	47,709	47,709
<i>Fund balance - beginning of year</i>	-	-	260,570	260,570
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,279</u>	<u>\$ 308,279</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 2

Town of Taos

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	18,690	18,690	15,548	(3,142)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	11,824	11,824	20,535	8,711
<i>Total revenues</i>	<u>30,514</u>	<u>30,514</u>	<u>36,083</u>	<u>5,569</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	36,895	36,895	24,193	12,702
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,895</u>	<u>36,895</u>	<u>24,193</u>	<u>12,702</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,381)</u>	<u>(6,381)</u>	<u>11,890</u>	<u>18,271</u>
<i>Other financing sources (uses)</i>				
Designated cash	6,381	6,381	-	(6,381)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>6,381</u>	<u>6,381</u>	<u>-</u>	<u>(6,381)</u>
<i>Net change in fund balance</i>	-	-	11,890	11,890
<i>Fund balance - beginning of year</i>	-	-	75,216	75,216
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,106</u>	<u>\$ 87,106</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 3

Town of Taos

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	999,074	946,484	893,755	(52,729)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	6,964	20,056	13,092
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	3,150	5,411	2,261
<i>Total revenues</i>	<u>999,074</u>	<u>956,598</u>	<u>919,222</u>	<u>(37,376)</u>
<i>Expenditures</i>				
Current				
General government	572,782	722,600	756,109	(33,509)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>572,782</u>	<u>722,600</u>	<u>756,109</u>	<u>(33,509)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>426,292</u>	<u>233,998</u>	<u>163,113</u>	<u>(70,885)</u>
<i>Other financing sources (uses)</i>				
Designated cash	4,792	(98,646)	-	98,646
Transfers in	556,194	754,336	336,530	(417,806)
Transfers out	(987,278)	(889,688)	(517,713)	371,975
<i>Total other financing sources (uses)</i>	<u>(426,292)</u>	<u>(233,998)</u>	<u>(181,183)</u>	<u>52,815</u>
<i>Net change in fund balance</i>	-	-	(18,070)	(18,070)
<i>Fund balance - beginning of year</i>	-	-	94,105	94,105
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,035</u>	<u>\$ 76,035</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 4

Town of Taos

Local Government Correction Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	50,621	50,621	29,279	(21,342)
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>50,621</u>	<u>50,621</u>	<u>29,279</u>	<u>(21,342)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	109,000	109,000	92,172	16,828
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>109,000</u>	<u>109,000</u>	<u>92,172</u>	<u>16,828</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(58,379)</u>	<u>(58,379)</u>	<u>(62,893)</u>	<u>(4,514)</u>
<i>Other financing sources (uses)</i>				
Designated cash	42,379	42,379	-	(42,379)
Transfers in	16,000	16,000	9,000	(7,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>58,379</u>	<u>58,379</u>	<u>9,000</u>	<u>(49,379)</u>
<i>Net change in fund balance</i>	-	-	(53,893)	(53,893)
<i>Fund balance - beginning of year</i>	-	-	56,721	56,721
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,828</u>	<u>\$ 2,828</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 5

Town of Taos

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	33,200	33,200	64,600	31,400
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>33,200</u>	<u>33,200</u>	<u>64,600</u>	<u>31,400</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	33,205	32,605	27,577	5,028
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>33,205</u>	<u>32,605</u>	<u>27,577</u>	<u>5,028</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5)</u>	<u>595</u>	<u>37,023</u>	<u>36,428</u>
<i>Other financing sources (uses)</i>				
Designated cash	5	(595)	-	595
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5</u>	<u>(595)</u>	<u>-</u>	<u>595</u>
<i>Net change in fund balance</i>	-	-	37,023	37,023
<i>Fund balance - beginning of year</i>	-	-	6	6
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,029</u>	<u>\$ 37,029</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 6

Town of Taos

Civic Center Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	80,052	85,957	78,079	(7,878)
Licenses and fees	-	-	475	475
Interest income	-	-	-	-
Miscellaneous	1,640	1,640	276	(1,364)
<i>Total revenues</i>	<u>81,692</u>	<u>87,597</u>	<u>78,830</u>	<u>(8,767)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	525,198	492,001	482,284	9,717
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>525,198</u>	<u>492,001</u>	<u>482,284</u>	<u>9,717</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(443,506)</u>	<u>(404,404)</u>	<u>(403,454)</u>	<u>950</u>
<i>Other financing sources (uses)</i>				
Designated cash	(8,189)	(75,519)	-	75,519
Transfers in	451,695	479,923	438,236	(41,687)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>443,506</u>	<u>404,404</u>	<u>438,236</u>	<u>33,832</u>
<i>Net change in fund balance</i>	-	-	34,782	34,782
<i>Fund balance - beginning of year</i>	-	-	(1,410)	(1,410)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,372</u>	<u>\$ 33,372</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 7

Town of Taos
Domestic Violence Shelter Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	150,000	150,000	150,000	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	150,000	150,000	149,549	451
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>150,000</u>	<u>150,000</u>	<u>149,549</u>	<u>451</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>451</u>	<u>451</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	451	451
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452</u>	<u>\$ 452</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 8

Town of Taos

Public Transportation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	296,460	296,460	228,128	(68,332)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	57,705	57,705	54,867	(2,838)
<i>Total revenues</i>	<u>354,165</u>	<u>354,165</u>	<u>282,995</u>	<u>(71,170)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	526,658	528,031	520,291	7,740
Capital outlay	40,213	40,213	-	40,213
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>566,871</u>	<u>568,244</u>	<u>520,291</u>	<u>47,953</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(212,706)</u>	<u>(214,079)</u>	<u>(237,296)</u>	<u>(23,217)</u>
<i>Other financing sources (uses)</i>				
Designated cash	(10,159)	(30,215)	-	30,215
Transfers in	222,865	244,294	223,114	(21,180)
Transfers out	-	-	-	-
Proceeds from insurance recovery	-	-	2,205	2,205
<i>Total other financing sources (uses)</i>	<u>212,706</u>	<u>214,079</u>	<u>225,319</u>	<u>11,240</u>
<i>Net change in fund balance</i>	-	-	(11,977)	(11,977)
<i>Fund balance - beginning of year</i>	-	-	15,706	15,706
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,729</u>	<u>\$ 3,729</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 9

Town of Taos

Community Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	505,367	607,498	306,628	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>505,367</u>	<u>607,498</u>	<u>306,628</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	838,801	994,878	485,036	509,842
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	87,865	96,118	8,358	87,760
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>926,666</u>	<u>1,090,996</u>	<u>493,394</u>	<u>597,602</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(421,299)</u>	<u>(483,498)</u>	<u>(186,766)</u>	<u>597,602</u>
<i>Other financing sources (uses)</i>				
Designated cash	81,299	291,195	-	(291,195)
Transfers in	340,000	262,303	230,000	(32,303)
Transfers out	-	(70,000)	(70,000)	-
<i>Total other financing sources (uses)</i>	<u>421,299</u>	<u>483,498</u>	<u>160,000</u>	<u>(323,498)</u>
<i>Net change in fund balance</i>	-	-	(26,766)	274,104
<i>Fund balance - beginning of year</i>	-	-	326,678	326,678
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,912</u>	<u>\$ 600,782</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 10

Town of Taos

Municipal Road Gasoline Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	79,460	79,460	43,234	(36,226)
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>79,460</u>	<u>79,460</u>	<u>43,234</u>	<u>(36,226)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>79,460</u>	<u>79,460</u>	<u>43,234</u>	<u>(36,226)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(79,460)	(79,460)	(45,555)	33,905
<i>Total other financing sources (uses)</i>	<u>(79,460)</u>	<u>(79,460)</u>	<u>(45,555)</u>	<u>33,905</u>
<i>Net change in fund balance</i>	-	-	(2,321)	(2,321)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>6,058</u>	<u>6,058</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,737</u>	<u>\$ 3,737</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos
 1/4 Cent Municipal Gross Receipts Tax Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,013,745	938,411	935,269	(3,142)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,013,745</u>	<u>938,411</u>	<u>935,269</u>	<u>(3,142)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,013,745</u>	<u>938,411</u>	<u>935,269</u>	<u>(3,142)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,013,745)	(938,411)	(938,411)	-
<i>Total other financing sources (uses)</i>	<u>(1,013,745)</u>	<u>(938,411)</u>	<u>(938,411)</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(3,142)	(3,142)
<i>Fund balance - beginning of year</i>	-	-	73,244	73,244
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,102</u>	<u>\$ 70,102</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 12

Town of Taos

Communications Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	299,996	271,095	270,695	(400)
<i>Total revenues</i>	<u>299,996</u>	<u>271,095</u>	<u>270,695</u>	<u>(400)</u>
<i>Expenditures</i>				
Current				
General government	609,147	553,311	548,383	4,928
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	6,948	6,948	6,948	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>616,095</u>	<u>560,259</u>	<u>555,331</u>	<u>4,928</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(316,099)</u>	<u>(289,164)</u>	<u>(284,636)</u>	<u>4,528</u>
<i>Other financing sources (uses)</i>				
Designated cash	43,503	45,470	-	(45,470)
Transfers in	272,596	243,694	243,694	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>316,099</u>	<u>289,164</u>	<u>243,694</u>	<u>(45,470)</u>
<i>Net change in fund balance</i>	-	-	(40,942)	(40,942)
<i>Fund balance - beginning of year</i>	-	-	225,028	225,028
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,086</u>	<u>\$ 184,086</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

2001 Gross Receipts Tax Revenue Bond Retirement Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	470,000	470,000	470,000	-
Interest	24,675	24,675	24,675	-
<i>Total expenditures</i>	<u>494,675</u>	<u>494,675</u>	<u>494,675</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(494,675)</u>	<u>(494,675)</u>	<u>(494,675)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	(4,428)	-	4,428
Transfers in	494,675	499,103	494,638	(4,465)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>494,675</u>	<u>494,675</u>	<u>494,638</u>	<u>(37)</u>
<i>Net change in fund balance</i>	-	-	(37)	(37)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>110</u>	<u>110</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ 73</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 14

Town of Taos

2008 Gross Receipts Tax Revenue Bond Retirement Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	150,000	150,000	150,000	-
Interest	261,825	261,825	261,825	-
<i>Total expenditures</i>	<u>411,825</u>	<u>411,825</u>	<u>411,825</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(411,825)</u>	<u>(411,825)</u>	<u>(411,825)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	9,219	9,219	-	(9,219)
Transfers in	402,606	402,606	402,606	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>411,825</u>	<u>411,825</u>	<u>402,606</u>	<u>(9,219)</u>
<i>Net change in fund balance</i>	-	-	(9,219)	(9,219)
<i>Fund balance - beginning of year</i>	-	-	9,449	9,449
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230</u>	<u>\$ 230</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 15

Town of Taos

1999 Gasoline Tax Revenue Bond Retirement Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	750	750	500	250
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	155,000	155,000	155,000	-
Interest	39,873	39,873	36,308	3,565
<i>Total expenditures</i>	<u>195,623</u>	<u>195,623</u>	<u>191,808</u>	<u>3,815</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(195,623)</u>	<u>(195,623)</u>	<u>(191,808)</u>	<u>3,815</u>
<i>Other financing sources (uses)</i>				
Designated cash	3,930	(14,385)	-	14,385
Transfers in	191,693	210,008	213,733	3,725
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>195,623</u>	<u>195,623</u>	<u>213,733</u>	<u>18,110</u>
<i>Net change in fund balance</i>	-	-	21,925	21,925
<i>Fund balance - beginning of year</i>	-	-	4,689	4,689
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,614</u>	<u>\$ 26,614</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

2008 Gross Receipts Tax Revenue Bond Reserve Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	1,491	(1,120)	4,101	5,221
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,491</u>	<u>(1,120)</u>	<u>4,101</u>	<u>5,221</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,491</u>	<u>(1,120)</u>	<u>4,101</u>	<u>5,221</u>
<i>Other financing sources (uses)</i>				
Designated cash	170,500	175,722	-	(175,722)
Transfers in	-	-	-	-
Transfers out	(171,991)	(174,602)	(174,601)	1
<i>Total other financing sources (uses)</i>	<u>(1,491)</u>	<u>1,120</u>	<u>(174,601)</u>	<u>(175,721)</u>
<i>Net change in fund balance</i>	-	-	(170,500)	(170,500)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>170,500</u>	<u>170,500</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 17

Town of Taos

1999 Gasoline Tax Revenue Bond Reserve Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	3,726	3,339	4,112	773
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,726</u>	<u>3,339</u>	<u>4,112</u>	<u>773</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,726</u>	<u>3,339</u>	<u>4,112</u>	<u>773</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	774	-	(774)
Transfers in	-	-	-	-
Transfers out	(3,726)	(4,113)	(4,112)	1
<i>Total other financing sources (uses)</i>	<u>(3,726)</u>	<u>(3,339)</u>	<u>(4,112)</u>	<u>(773)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>195,500</u>	<u>195,500</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,500</u>	<u>\$ 195,500</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 18

Town of Taos

2007 NMFA Land Purchase Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	612	612
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>612</u>	<u>612</u>
<i>Expenditures</i>				
Current				
General government	2,201	1,991	2,203	(212)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	86,834	87,243	86,833	410
Interest	24,673	24,484	24,673	(189)
<i>Total expenditures</i>	<u>113,708</u>	<u>113,718</u>	<u>113,709</u>	<u>9</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(113,708)</u>	<u>(113,718)</u>	<u>(113,097)</u>	<u>621</u>
<i>Other financing sources (uses)</i>				
Designated cash	6,708	6,718	-	(6,718)
Transfers in	107,000	107,000	107,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>113,708</u>	<u>113,718</u>	<u>107,000</u>	<u>(6,718)</u>
<i>Net change in fund balance</i>	-	-	(6,097)	(6,097)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>30,888</u>	<u>30,888</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,791</u>	<u>\$ 24,791</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 19

Town of Taos

2001 Gross Receipts Tax Revenue Bond Reserve Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	3,000	(1,428)	7,428	8,856
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,000</u>	<u>(1,428)</u>	<u>7,428</u>	<u>8,856</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,000</u>	<u>(1,428)</u>	<u>7,428</u>	<u>8,856</u>
<i>Other financing sources (uses)</i>				
Designated cash	412,500	421,356	-	(421,356)
Transfers in	-	-	-	-
Transfers out	(415,500)	(419,928)	(419,928)	-
<i>Total other financing sources (uses)</i>	<u>(3,000)</u>	<u>1,428</u>	<u>(419,928)</u>	<u>(421,356)</u>
<i>Net change in fund balance</i>	-	-	(412,500)	(412,500)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>412,500</u>	<u>412,500</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 20

Town of Taos

Facilities Improvements Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	1,107,091	1,107,091	20,910	(1,086,181)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,107,091</u>	<u>1,107,091</u>	<u>20,910</u>	<u>(1,086,181)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	345,119	288,577	215,466	73,111
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	1,156,223	1,152,782	66,487	1,086,295
Debt service				
Principal	18,000	18,000	18,000	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,519,342</u>	<u>1,459,359</u>	<u>299,953</u>	<u>1,159,406</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(412,251)</u>	<u>(352,268)</u>	<u>(279,043)</u>	<u>73,225</u>
<i>Other financing sources (uses)</i>				
Designated cash	55,647	55,664	-	(55,664)
Transfers in	356,604	356,604	328,876	(27,728)
Transfers out	-	(60,000)	(60,674)	(674)
<i>Total other financing sources (uses)</i>	<u>412,251</u>	<u>352,268</u>	<u>268,202</u>	<u>(84,066)</u>
<i>Net change in fund balance</i>	-	-	(10,841)	(10,841)
<i>Fund balance - beginning of year</i>	-	-	92,506	92,506
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,665</u>	<u>\$ 81,665</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 21

Town of Taos

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	757,325	757,325	701,453	(55,872)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	2,314,259	2,255,562	1,477,405	(778,157)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	(4,774)	64,737	69,511
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,071,584</u>	<u>3,008,113</u>	<u>2,243,595</u>	<u>(764,518)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	116,939	262,141	188,605	73,536
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,105,956	9,649,727	6,933,277	2,716,450
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,222,895</u>	<u>9,911,868</u>	<u>7,121,882</u>	<u>2,789,986</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,151,311)</u>	<u>(6,903,755)</u>	<u>(4,878,287)</u>	<u>2,025,468</u>
<i>Other financing sources (uses)</i>				
Designated cash	7,359,311	7,382,158	-	(7,382,158)
Transfers in	109,104	109,104	67,663	(41,441)
Transfers out	(317,104)	(587,507)	(584,793)	2,714
<i>Total other financing sources (uses)</i>	<u>7,151,311</u>	<u>6,903,755</u>	<u>(517,130)</u>	<u>(7,420,885)</u>
<i>Net change in fund balance</i>	-	-	(5,395,417)	(5,395,417)
<i>Fund balance - beginning of year</i>	-	-	7,542,275	7,542,275
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,146,858</u>	<u>\$ 2,146,858</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 22

Town of Taos

Airport Construction Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	734,659	835,534	319,684	(515,850)
State operating grants	-	-	-	-
State capital grants	113,234	115,888	9,771	(106,117)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>847,893</u>	<u>951,422</u>	<u>329,455</u>	<u>(621,967)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	357,757	357,757	331,075	26,682
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	509,203	615,386	35,300	580,086
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>866,960</u>	<u>973,143</u>	<u>366,375</u>	<u>606,768</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(19,067)</u>	<u>(21,721)</u>	<u>(36,920)</u>	<u>(15,199)</u>
<i>Other financing sources (uses)</i>				
Designated cash	59,067	58,807	-	(58,807)
Transfers in	-	2,914	-	(2,914)
Transfers out	(40,000)	(40,000)	(22,000)	18,000
<i>Total other financing sources (uses)</i>	<u>19,067</u>	<u>21,721</u>	<u>(22,000)</u>	<u>(43,721)</u>
<i>Net change in fund balance</i>	-	-	(58,920)	(58,920)
<i>Fund balance - beginning of year</i>	-	-	57,043	57,043
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,877)</u>	<u>\$ (1,877)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 23

Town of Taos

Enhanced 911 Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>25,309</u>	<u>25,309</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,309</u>	<u>\$ 25,309</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 24

Town of Taos

Vehicle Replacement Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	1,560	1,560
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,560</u>	<u>1,560</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	56,000	56,300	56,145	155
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>56,000</u>	<u>56,300</u>	<u>56,145</u>	<u>155</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(56,000)</u>	<u>(56,300)</u>	<u>(54,585)</u>	<u>1,715</u>
<i>Other financing sources (uses)</i>				
Designated cash	56,000	56,300	-	(56,300)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>56,000</u>	<u>56,300</u>	<u>-</u>	<u>(56,300)</u>
<i>Net change in fund balance</i>	-	-	(54,585)	(54,585)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>257,613</u>	<u>257,613</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,028</u>	<u>\$ 203,028</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 25

Town of Taos

1994 Gross Receipts Tax Revenue Bond Acquisition Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	25,000	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	26,400	26,400	10,102	(16,298)
Miscellaneous	110,941	110,941	18,990	(91,951)
<i>Total revenues</i>	<u>162,341</u>	<u>137,341</u>	<u>29,092</u>	<u>(108,249)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	170,191	179,391	93,576	85,815
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	151,466	142,266	13,232	129,034
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>321,657</u>	<u>321,657</u>	<u>106,808</u>	<u>214,849</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(159,316)</u>	<u>(184,316)</u>	<u>(77,716)</u>	<u>106,600</u>
<i>Other financing sources (uses)</i>				
Designated cash	159,316	184,316	-	(184,316)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>159,316</u>	<u>184,316</u>	<u>-</u>	<u>(184,316)</u>
<i>Net change in fund balance</i>	-	-	(77,716)	(77,716)
<i>Fund balance - beginning of year</i>	-	-	851,161	851,161
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 773,445</u>	<u>\$ 773,445</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 26

Town of Taos

1999 Gasoline Tax Acquisition Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	2,269,558	2,170,645	132,271	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	12,015	12,015	5,318	(6,697)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,281,573</u>	<u>2,182,660</u>	<u>137,589</u>	<u>(6,697)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	6,692	6,692	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,764,080	2,945,192	268,614	2,676,578
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,764,080</u>	<u>2,951,884</u>	<u>275,306</u>	<u>2,676,578</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(482,507)</u>	<u>(769,224)</u>	<u>(137,717)</u>	<u>2,669,881</u>
<i>Other financing sources (uses)</i>				
Designated cash	402,507	518,105	-	(518,105)
Transfers in	80,000	251,119	251,119	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>482,507</u>	<u>769,224</u>	<u>251,119</u>	<u>(518,105)</u>
<i>Net change in fund balance</i>	-	-	113,402	2,151,776
<i>Fund balance - beginning of year</i>	-	-	518,813	518,813
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,215</u>	<u>\$ 2,670,589</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-27

Town of Taos

Water and Sewer Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 2,219,071	\$ 2,219,071	\$ 2,212,865	\$ (6,206)
<i>Total operating revenues</i>	<u>2,219,071</u>	<u>2,219,071</u>	<u>2,212,865</u>	<u>(6,206)</u>
<i>Operating expenses:</i>				
Personnel services	632,546	639,849	625,507	14,342
Contractual services	1,339,081	1,400,869	1,341,958	58,911
Supplies	35,000	36,165	33,214	2,951
Maintenance and materials	319,852	325,508	145,690	179,818
Utilities	336,500	296,359	310,994	(14,635)
Equipment	7,076,631	6,388,397	-	6,388,397
Depreciation	-	-	1,178,578	(1,178,578)
Miscellaneous	175,959	166,467	34,181	132,286
<i>Total operating expenses</i>	<u>9,915,569</u>	<u>9,253,614</u>	<u>3,670,122</u>	<u>5,583,492</u>
<i>Operating income (loss)</i>	<u>(7,696,498)</u>	<u>(7,034,543)</u>	<u>(1,457,257)</u>	<u>5,577,286</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	528,584	528,584	425,682	(102,902)
Interest expense	(172,728)	(171,040)	(216,806)	(45,766)
Interest income	167,261	167,261	63,844	(103,417)
Government contributions	5,962,400	4,599,920	142,220	(4,457,700)
Miscellaneous income	285,511	1,047,991	66,191	(981,800)
<i>Total non-operating revenues (expenses)</i>	<u>6,771,028</u>	<u>6,172,716</u>	<u>481,131</u>	<u>(5,691,585)</u>
Transfers	-	-	6,130	6,130
<i>Change in net assets</i>	<u>\$ (925,470)</u>	<u>\$ (861,827)</u>	<u>(969,996)</u>	<u>\$ (108,169)</u>
<i>Total net assets, beginning of year</i>			<u>17,683,952</u>	
<i>Total net assets, end of year</i>			<u>\$ 16,713,956</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

Town of Taos

Solid Waste Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 1,038,812	\$ 1,038,812	\$ 1,182,520	\$ 143,708
<i>Total operating revenues</i>	<u>1,038,812</u>	<u>1,038,812</u>	<u>1,182,520</u>	<u>143,708</u>
<i>Operating expenses:</i>				
Personnel services	132,612	104,592	77,927	26,665
Contractual services	712,353	730,813	718,119	12,694
Supplies	6,426	11,190	10,961	229
Maintenance and materials	23,647	58,077	43,425	14,652
Utilities	336,471	283,189	247,563	35,626
Equipment	218,000	200,000	-	200,000
Depreciation	-	-	2,466	(2,466)
Miscellaneous	2,663	4,313	626	3,687
<i>Total operating expenses</i>	<u>1,432,172</u>	<u>1,392,174</u>	<u>1,101,087</u>	<u>291,087</u>
<i>Operating income (loss)</i>	<u>(393,360)</u>	<u>(353,362)</u>	<u>81,433</u>	<u>434,795</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Government contributions	-	-	-	-
Miscellaneous income	15,286	15,286	51,853	36,567
<i>Total non-operating revenues (expenses)</i>	<u>15,286</u>	<u>15,286</u>	<u>51,853</u>	<u>36,567</u>
Transfers	-	-	12,015	12,015
<i>Change in net assets</i>	<u>\$ (378,074)</u>	<u>\$ (338,076)</u>	<u>145,301</u>	<u>\$ 483,377</u>
<i>Total net assets, beginning of year</i>			<u>919,126</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,064,427</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-29

Town of Taos

Taos Regional Landfill Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 1,190,800	\$ 1,190,800	\$ 1,161,614	\$ (29,186)
<i>Total operating revenues</i>	<u>1,190,800</u>	<u>1,190,800</u>	<u>1,161,614</u>	<u>(29,186)</u>
<i>Operating expenses:</i>				
Personnel services	355,083	345,734	306,512	39,222
Contractual services	412,934	483,899	405,116	78,783
Supplies	13,178	16,458	12,165	4,293
Maintenance and materials	127,121	145,694	138,374	7,320
Utilities	5,468	6,824	6,871	(47)
Equipment	1,289,983	1,289,983	-	1,289,983
Depreciation	-	-	106,611	(106,611)
Miscellaneous	162,257	169,791	15,496	154,295
<i>Total operating expenses</i>	<u>2,366,024</u>	<u>2,458,383</u>	<u>991,145</u>	<u>1,467,238</u>
<i>Operating income (loss)</i>	<u>(1,175,224)</u>	<u>(1,267,583)</u>	<u>170,469</u>	<u>1,438,052</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	-	-	-	-
Interest expense	(40,062)	(40,381)	(44,912)	(4,531)
Interest income	8,000	8,000	41,739	33,739
Government contributions	-	-	-	-
Miscellaneous income	366,073	366,073	109,168	(256,905)
<i>Total non-operating revenues (expenses)</i>	<u>334,011</u>	<u>333,692</u>	<u>105,995</u>	<u>(227,697)</u>
Transfers	-	-	(38,145)	(38,145)
<i>Change in net assets</i>	<u>\$ (841,213)</u>	<u>\$ (933,891)</u>	<u>238,319</u>	<u>\$ 1,172,210</u>
<i>Total net assets, beginning of year</i>			<u>2,921,366</u>	
<i>Total net assets, end of year</i>			<u>\$ 3,159,685</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Town of Taos
 Schedule of Deposit and Investment Accounts
 For the Year Ended June 30, 2009

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
First Community Bank					
Clearing Account	Checking	\$ 801,061	\$ -	\$ 800,603	\$ 458
Judicial Bond Fund Municipal Court	Checking	4,015	-	631	3,384
Debt Service Fund	Checking	338	-	-	338
Utility Construction Fund	Checking	39,530	-	-	39,530
Water & Sewer System Income Fund	Checking	3,181,493	12,243	6,403	3,187,333
Utility Improvement Fund	Checking	33,815	-	-	33,815
General	CD	170,500	-	-	170,500
1999 Gasoline Tax Revenue Bond Reserve	CD	195,500	-	-	195,500
Total First Community Bank		<u>4,426,252</u>	<u>12,243</u>	<u>807,637</u>	<u>3,630,858</u>
Centinel Bank					
General Fund	Checking	1,221,045	11,783	361,510	871,318
Water/Wastewater Improvement Fund	Checking	137,363	-	-	137,363
Payroll Clearing	Checking	38	-	-	38
1994 GRT Revenue Bond Acquisition Fund	Checking	16,040	-	8,333	7,707
HUD Account - Domestic Violence Shelter	Checking	1	-	-	1
ACH Transfer Account	Checking	75,244	-	74,613	631
2001 Gross Receipts Tax Revenue Bond Retirement	CD	177,500	-	-	177,500
Total Centinel Bank		<u>1,627,231</u>	<u>11,783</u>	<u>444,456</u>	<u>1,194,558</u>
Bank of Albuquerque - Investments					
2001A Water & Sewer Revenue Bond Retirement	U.S. Treasury Mutual Fund	61,762	-	-	61,762
2004 Taos Regional Landfill Acquisition	U.S. Treasury Mutual Fund	7,386	-	-	7,386
2004 Taos Regional Landfill Revenue Bond Reserve	U.S. Treasury Mutual Fund	137,343	-	-	137,343
2008A Taos Regional Landfill Debt Service	U.S. Treasury Mutual Fund	100,054	-	-	100,054
2004 Taos Regional Landfill Acquisition	U.S. Treasury Mutual Fund	331,382	-	-	331,382
Total Bank of Albuquerque		<u>637,927</u>	<u>-</u>	<u>-</u>	<u>637,927</u>
New Mexico Finance Authority - Investments					
2007 NMFA Land Purchase	State Treasurer Debt Service	21,370	-	-	21,370
2001A Water & Sewer Revenue Bond Retirement	State Treasurer Debt Service	12,706	-	-	12,706
2004 Taos Regional Landfill Revenue Bond Reserve	State Treasurer Debt Service	16,189	-	-	16,189
2008A Taos Regional Landfill Debt Service	State Treasurer Debt Service	20,971	-	-	20,971
Total New Mexico Finance Authority		<u>71,236</u>	<u>-</u>	<u>-</u>	<u>71,236</u>
Total deposits and investments		<u>\$ 6,762,646</u>	<u>\$ 24,026</u>	<u>\$ 1,252,093</u>	5,534,579
New Mexico State Treasurer Local Government Investment Pool					7,048,815
Add: petty cash					1,500
Total deposits and investments					<u>\$12,584,894</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 3,622,455
Investments - Exhibit A-1					7,523,815
Restricted cash and cash equivalents - Exhibit A-1					1,369,261
Fiduciary funds cash and cash equivalents and investments - Exhibit E-1					69,363
Total deposits and investments					<u>\$12,584,894</u>

See accompanying independent auditors' report

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STATE OF NEW MEXICO

Schedule II

Town of Taos

Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2009

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Par / Fair Market Value at June 30, 2009	Location of Safekeeper
First Community Bank						
	FHR 3229 VA	Loan	10/15/2017	31397BRX1	\$ 426,709	Federal Home Loan Bank, Dallas, TX
	FNR 2001-71 QE	Loan	12/25/2016	31392AXR4	347,615.00	Federal Home Loan Bank, Dallas, TX
	Hobbs NM Sch Dist #16	Bond *	7/15/2018	433866CP3	1,000,000.00	Federal Home Loan Bank, Dallas, TX
	San Juan County NM ISD #22	Bond *	8/1/2020	798359HS7	900,000.00	Federal Home Loan Bank, Dallas, TX
	MBS FHLMC Gold 15 Yr	Loan	3/1/2021	3128M1BF5	158,065.00	Federal Home Loan Bank, Dallas, TX
	FNR 2003-64 YA	Loan	5/25/2023	31393DKW0	323,391.00	Federal Home Loan Bank, Dallas, TX
	Clovis NM Muni SD #001	Bond *	8/1/2023	189414GR0	775,000.00	Federal Home Loan Bank, Dallas, TX
	MBS GNMA II	Loan	11/20/2038	36202EXM6	164,358.00	Federal Home Loan Bank, Dallas, TX
	MBS GNMA I Platinum	Loan	11/15/2023	36241KWU8	<u>176,870.00</u>	Federal Home Loan Bank, Dallas, TX
	Total First Community Bank				<u>4,272,008</u>	
Centinel Bank						
	FHLB	Loan	12/9/2011	3133XHRKO	<u>390,000</u>	Texas Independent Bank, Irving, TX
	Total Pledged Collateral				<u><u>\$ 4,662,008</u></u>	

* Bonds are presented at par value

See accompanying independent auditors' report

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STATE OF NEW MEXICO

Schedule III

Town of Taos

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<i>Assets</i>				
Cash	\$ 1,950	\$ 30,225	\$ 31,312	\$ 863
Investments	61,500	7,000	-	68,500
Total assets	<u>\$ 63,450</u>	<u>\$ 37,225</u>	<u>\$ 31,312</u>	<u>\$ 69,363</u>
 <i>Liabilities</i>				
Deposits payable	\$ 23,700	\$ 58,060	\$ 13,500	\$ 68,260
Due to other entities	39,750	9,955	48,602	1,103
Total liabilities	<u>\$ 63,450</u>	<u>\$ 68,015</u>	<u>\$ 62,102</u>	<u>\$ 69,363</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Supplementary Schedule of Joint Powers Agreements
June 30, 2009

Agreement	The Town Participates with	Party Responsible for Operation	Description
Salazar Property and Sports Facilities	Taos Municipal Schools Board of Education	Taos Municipal School District	Develop, manage and maintain a multi-purpose athletic facility on the Salazar Property
Public Restroom Facility	County of Taos	County of Taos	Designing, constructing, operating, and maintaining a public restroom facility
Enhanced 911-Response System	County of Taos, Town of Questa, Village of Taos Ski Valley	Town of Taos	Provide an answering point for information regarding needed emergency services
Taos Regional Landfill Board	County of Taos, Village of Questa, Village of Red River, Village of Taos Ski Valley	Town of Taos	Establish the Taos Regional Landfill Board

See accompanying independent auditors' report

Period	Cost to Town	Town Contributions	Audit Responsibility
40 Years from 2009, with option to renew	\$2,140,012 for Phase I; unknown for other phases	None to date	Taos Municipal School District
November 20, 2007 to January 31, 2028	Indeterminate	Indeterminate	County of Taos
July 6, 1998 until terminated	Estimated \$219,494 per year	\$243,694	Town of Taos
50 years from November 2, 2000	Dependent on landfill expenses	\$900,867 during 2009	Town of Taos

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP

**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***

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Town Council
Town of Taos
Taos, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of Town of Taos, New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report thereon dated November 16, 2009. We also have audited the financial statements of each of the Town's nonmajor governmental funds, the budgetary comparisons for the proprietary funds and capital projects fund, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Taos' 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' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Taos' 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Town of Taos' financial statements that is more than inconsequential will not be prevented or detected by Town of Taos' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2007-01, FS 2009-01, FS 2009-03, FS 2009-05 and FS 2009-06 to be significant deficiencies in internal control over financial reporting.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

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 Town of Taos' 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 material weaknesses. However, of the significant deficiencies described above, we consider item FS 2007-01 to be a material weakness.

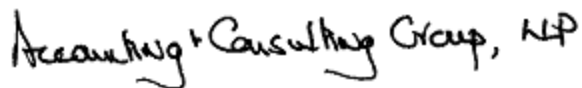
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Taos' 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings FS 2009-01, FS 2009-02, FS 2009-04 and FS 2009-07.

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

This report is intended solely for the information and use of management, others within Town of Taos, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.



Accounting & Consulting Group, LLP
Albuquerque, NM
November 16, 2009

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP

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

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Town Council
Town of Taos
Town of Taos, New Mexico

Compliance

We have audited the compliance of Town of Taos, 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, 2009. Town of Taos' major federal programs are identified in the summary of auditors' 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 Town of Taos' management. Our responsibility is to express an opinion on Town of Taos' 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 Town of Taos' 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 of Town of Taos' compliance with those requirements.

In our opinion, Town of Taos 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2009-01.

Internal Control Over Compliance

The management of Town of Taos is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Town of Taos' internal control over compliance with the 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' internal control over compliance.

Certified Public Accountants

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

A control deficiency in Town of Taos' 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 noncompliance 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 Town of Taos' 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 Town of Taos' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FA 2009-01 to be a significant deficiency in internal control over compliance.

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 Town of Taos' internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over compliance.

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

This report is intended solely for the information and use of management, others within Town of Taos, the audit committee, the State Auditor, the Town Council, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, NM
November 16, 2009

STATE OF NEW MEXICO
Town of Taos
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule V
(Page 1 of 2)

Funding Source/Grant or Contact Name	CFDA Number	Federal Grantors Number	Expenditures
U.S. Department of Justice			
Enforcement Assistance	16.58	2005-DD-BX-1109	\$ 82,019
U.S. Department of Housing & Urban Development Pass Through the State of New Mexico, Department of Finance & Administration			
Community Against Violence	14.235	NM02B601005	149,549
Community Development Block Grant - Sustainable Building Ordinance	14.xxx	07-C-NR-I-06-G-	17,000
Total U.S. Department of Housing & Urban Development			<u>166,549</u>
U.S. Department of Transportation			
Federal Aviation Administration (FAA)			
Airport Improvements Program - PAPI (1)	20.106	3-35-0041-016-2006	21,080
Airport Improvements Program - Equipment (1)	20.106	3-35-0041-019-2008	10,710
Airport Improvements Program - EIS (1)	20.106	3-35-0041-017-2007	314,351
Federal Transportation Administration (FTA) Federal Assistance	20.5xx	NM-03-0041	9,138
Total U.S. Department of Transportation			<u>355,279</u>
U.S. Department of Energy			
Energy, Minerals & Natural Resources - 2004 Recreational Trails Program	81.xxx	06-521-0500-0053	102,963
U.S. Department of Agriculture			
RUS - Police Equipment	10.xxx		9,148
RUS - San Juan Chama	10.xxx		50,000
Total U.S. Department of Agriculture			<u>59,148</u>
Total Federal Financial Assistance			<u>\$ 765,958</u>

(1) Denotes Major Federal Financial Assistance Program

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Schedule V
(Page 2 of 2)

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Town of Taos (the Town) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the governmental fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

2. Subrecipients

The Town did not provide any federal awards to subrecipients during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 765,958
Total expenditures funded by other sources	<u>21,967,530</u>
Total expenditures	<u><u>\$ 22,733,488</u></u>

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STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
June 30, 2009

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
20.106	Airport Improvements Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

2007-1 Bank Reconciliations
2007-3 Lodgers Tax

Disposition

Repeated and Revised
Resolved

Section III – Financial Statement Findings and Questioned Costs

FS 2007-01 Bank Reconciliations

Condition: The Town's clearing bank accounts were not reconciled to the general ledger. In the Town's clearing bank account, an adjustment was made to increase cash in the amount of \$217,871, and \$189,413 of incorrect outstanding checks were removed from the bank reconciliation. Also, the Town did not prepare a bank reconciliation for the ACH transfer account; thus, \$74,613 of outstanding checks were missing.

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 that bank reconciliations are prepared at least monthly.

Effect: Before the adjustments were made, the Town's cash per the trial balance was understated by \$217,871.

Cause: There were internal errors in the daily and monthly procedures regarding bank reconciliations due to employee turnover within the Finance Department.

Auditors' Recommendation: We recommend that the Town prepare its bank reconciliations in a timely manner and ensure that the bank accounts reconcile to the general ledger.

Agency's Response: The Finance Department is current with its bank reconciliations for the first quarter of FY 09-10 and will continue as such throughout the remainder of the fiscal year. Finance staff will also adopt a written policy regarding the internal control processes and procedures, which will include daily, monthly and quarterly monitoring, self-audits and strict scheduled planning to ensure proper compliance in the future.

FS 2009-01 — Stale-dated Checks

Condition: During cash test work, we found 147 checks totaling \$26,064.63 that were written over a year ago and listed as outstanding checks on the bank reconciliations. The Town has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria: Section 7-8A, NMSA 1978, and related regulations require that the Town provide information about the payees and the related funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: The Town's cash balances could be misstated due to old outstanding items on bank reconciliations. In addition, this increases the risk of errors or irregularities in the area of cash.

Cause: The Town failed to review the reconciliations for old outstanding checks. In addition, the Town was not aware of the requirement to remit the stale-dated check funds to the New Mexico Taxation and Revenue Department.

Auditors' Recommendation: We recommend that the Town implement a monthly review of bank reconciliations and ensure that all outstanding checks that are older than one year old be voided. We also recommend that the Town remit the stale-dated check funds to the New Mexico Taxation and Revenue Department.

Agency's Response: The Finance Department will implement a monthly review of bank reconciliations and will ensure all outstanding checks that are older than one year are processed according to state statute. The Finance Department will also review and become familiarized with the governing state statute.

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
June 30, 2009

Schedule VI
Page 3 of 7

FS 2009-02—Travel and Per Diem

Condition: In one instance out of five tested the employee was incorrectly paid a high-cost area per diem rate of \$95 for travel to Albuquerque and Ruidoso.

Criteria: The Per Diem and Mileage Act sets limits on travel and per diem expenses of \$85 per day per diem for in-state travel and \$135 for in-state high cost areas.

Effect: The Town is overpaying their employees in the amount of \$10.00 per day for per diem when they travel to Ruidoso.

Cause: The Town was under the impression that the Per Diem and Mileage Act allowed for them to develop and adhere to their own policy; therefore, they instituted their own policy as to which in-state areas qualified for high cost. The Town's policy considered Ruidoso to be a high-cost area.

Auditors' Recommendation: We recommend that Town contact the Department of Finance and Administration and request information related to the Act, and modify their travel policy to reflect the limits set by the Act.

Agency's Response: Management agrees with the auditors' recommendation and will adopt a new travel policy within this fiscal year, which will reflect the limits set by the Per Diem and Mileage Act and has corrected the immediate problem and will continue until the policy is adopted.

FS 2009-03 Preparation of Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the Town.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent, detect, and correct misstatements in its financial statements is limited.

Cause: The Town's personnel did not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Auditors' Recommendation: We recommend Town management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Town develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Town will change and update the recording and reporting processes to better facilitate the preparation of financial statements. The Finance Department will prepare a plan of action detailing the training program for staff, which will include the services of a consultant who will review and improve upon the internal accounting processes.

FS 2009-04— Expenditures in Excess of Budget

Condition: The Town exceeded the budgeted expenditures in the following fund:

<u>Governmental Funds</u>	<u>Amount</u>
Lodger's Tax	\$ 33,509

Criteria: All Town funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, NMSA 1978 Compilation.

Effect: Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official.

Cause: Inadequate monitoring of budgeting procedures at year-end.

Auditors' Recommendation: Budget for future years should be revised to insure all funds have adequate budget authority for appropriations. Greater attention should be given to the budget monitoring process at year-end.

Agency's Response: Management agrees with the auditors' recommendation and will revise and strictly enforce a year-end process throughout all departments.

FS 2009-05 — Gross Pay is Not Correct

Condition: During payroll testwork, we noted that 1 out of 5 employees was not being paid in accordance with the employee's authorized wages. The employee was being paid correctly for the employee's regular time but incorrectly for the employee's overtime. The employee's overtime rate was based on the employee's previous pay rate prior to the employee's promotion.

Criteria: As indicated in NMSA 1978 Section 6-6-3, the Town is required to maintain proper and sufficient internal controls which reduce the risk of fraudulent activities. Chapter XI, Section 11-1-11, F. Pay Range requires employees to be paid according to scale and in agreement with years of service and annual appraisal document. Sound business practice requires personnel files to have written authorization on pay rates for each employee and whenever rates change.

Effect: The Town underpaid the aforementioned employee for the employee's overtime after the employee was promoted to a new position in November of 2008.

Cause: There was a conflict with whether the employee's new position was salaried or hourly and the system was incorrectly calculating the employee's overtime pay based on the employee's previous wage rate.

Auditors' Recommendation: We recommend the Town reimburse the employee for the employee's overtime based on the correct wage rate. Also, we recommend the Town make the necessary corrections to the required payroll forms. Further, we recommend that the Town resolve the issue regarding whether that position is salaried or hourly.

Agency's Response: The Town has reimbursed the employee in the amount of \$396.79 in overtime compensation and has determined this position should be salaried. The proper documentation reflects this change. The finance staff will conduct an internal audit of any position changes that have occurred since December 1, 2008.

FS 2009-06 — Salary/Fringe Benefits Not Appropriately Authorized

Condition: During the course of the audit, we noted one instance where there was an increase in an employee's salary or fringe benefit without being properly supported by a personnel action notice. Also, the increase in the employee's salary/fringe benefit was not approved by someone above that employee's position.

Criteria: Town policies require personnel action notices to be filled out and authorized by the appropriate personnel prior to a change in salary or fringe benefits. At the very least, changes in salary or fringe benefits should be authorized by a person above the respective employee's position.

Effect: The Town is allowing unauthorized expenditures.

Cause: The increase in salary/fringe benefits was only authorized by an employee that is below the respective employee's position.

Auditors' Recommendation: We recommend that the Town follow their policy requiring any changes in an employee's salary or fringe benefits to be supported by the personnel action notice with the appropriate authorization, including at least one person who is above the respective employee's position.

Agency's Response: This increase in salary/fringe benefits was authorized by this employee's superior; however, the documentation is not reflective of such action. Moving forward, management will ensure proper adherence to their policy regarding changes to an employee's salary or fringe benefits.

FS 2009-07 Lodgers Tax

Condition: The required lodgers tax audit for the year ended June 30, 2008 has not been completed for the Town.

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 requirements for a yearly audit of the Town's lodgers tax.

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.

Cause: The Town has not timely scheduled an audit of their lodgers tax for the year ended June 30, 2008.

Auditors' Recommendation: We recommend that the Town schedule and ensure timely completion of the lodgers tax audit for the year ended June 30, 2008.

Agency's Response: The Finance Department acknowledges the oversight and will enter into a contract within sixty (60) days of this response to remedy this finding. Finance staff will adopt a written policy establishing deadlines in procuring, contracting and completing this process on a fiscal year basis.

FINDINGS – FEDERAL AWARDS

FA 2009-01 –Davis Bacon

Federal program information:

Funding agency:	Federal Aviation Administration
Title:	Airport Improvement Program
CFDA number:	20.106

Condition: The Town did not submit certified payroll or use Davis-Bacon wages in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*.

Criteria: The Town is required to submit certified payroll and use Davis-Bacon wages in accordance with *U.S. Office of Management and Budget (OMB) Circular A-133*.

Effect: Non-compliance with the reporting requirement of *U.S. Office of Management and Budget (OMB) Circular A-133* may affect the Town's federal award future funding.

Cause: The Town was improperly informed by the State of New Mexico Department of Transportation that they were not required to submit certified payroll or use Davis-Bacon wages.

Auditors' Recommendation: The Town must ensure that they follow the compliance supplements for all future federal award funding.

Management's Response: Management agrees with the auditors' recommendation and will follow the compliance supplements for all future federally awarded funding per the grant agreements. The Finance Department will also create a checklist, which describes the proper steps/requirements to follow when receiving and processing grant agreements.

STATE OF NEW MEXICO

Town of Taos
Other Disclosures
June 30, 2009

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 16, 2009. In attendance were the following:

Representing the Town of Taos:

Darren Cordova	Mayor
Daniel Miera	Town Manager
Marietta Fambro	Finance Director
Abigail Adame	Assistant Town Manager

Representing Accounting & Consulting Group, LLP:

Jeff W. McWhorter, CPA	Audit Director
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Auditor Prepared Financial Statements

Although it would be preferred and desirable for the Town to prepare its own financial statements, the Town's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Town of Taos from the original books and records provided to them by the management of the Town. Management is responsible for the financial statements.