

Accounting & Consulting Group, LLP

Certified Public Accountants

**STATE OF NEW MEXICO
TOWN OF TAOS
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**



STATE OF NEW MEXICO
TOWN OF TAOS
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Taos
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STATE OF NEW MEXICO

Town of Taos

Official Roster

June 30, 2011

<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

Administration

Daniel Miera	Town Manager
Abigail Adame	Assistant Town Manager
Marietta Fambro	Finance Director
Renee Lucero	Town Clerk
Richard Chavez	Municipal Judge

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The United States 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 ("the Town"), as of and for the year ended June 30, 2011, 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 for the proprietary funds, the major 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, 2011 as listed in the table of contents. These financial statements are the responsibility of the Town's 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2011, 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 as of June 30, 2011, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects fund and all 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 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 Management's Discussion and Analysis on pages 12 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, is 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 29, 2011

State of New Mexico
Town of Taos
Management's Discussion and Analysis
June 30, 2011

As management of the Town of Taos, we offer readers of the Town of Taos financial statements, this narrative overview and analysis of the financial activities of the Town of Taos for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements of the Town of Taos and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Taos exceeded its liabilities at the close of the most recent fiscal year by \$78,272,288 (*net assets*). Of this amount, \$5,806,647 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3,496,292 during the fiscal year. The majority of this increase is due to several additional capital assets; projects include Eco Park Construction, Reed/Alexander Road Improvements, Morgan Road Improvements and near completion of our Wastewater Treatment Plant Upgrades.
- As of June 30, 2011, the Town's governmental funds reported combined ending net assets balances of \$51,940,572. Of this total, \$2,379,357 is designated for debt service and capital projects.
- At the close of the current fiscal year, unassigned fund balance for the general fund was \$1,443,211, or 9.3 percent of total general fund expenditures.
- The Town of Taos' total debt did not increase during the year. This year \$1,440,091 was paid on the principal of the various government loans, bonds, compensated absences and contracts payable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Taos' basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the Town of Taos' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Town of Taos is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the Town of Taos that are principally supported in a majority by taxes and a minimal amount from other miscellaneous receipts (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Taos include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Town include joint Water and Sewer Services, Solid Waste Services, and the Taos Regional Landfill.

The government-wide financial statements can be found in Exhibits A-1 and A-2 of this report.

State of New Mexico
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Management's Discussion and Analysis
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Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Taos, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Taos can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *daily inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Taos maintains twenty-nine individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects, which are considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Taos adopts an annual appropriated budget for its general fund, capital equipment replacement, special revenue fund, fire, police, GRT, and all other funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found in Exhibits B-1 through C-1 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the Town charges customers – either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund:

Enterprise funds. Are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the joint water and sewer services, solid waste and regional landfill operations for the Town. The enterprise funds are considered to be major funds of the Town and can be found in Exhibits D-1 through D-3 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Taos' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town of Taos fiduciary funds account for the collection of street cut permits and deposits for reaction events. The basic fiduciary fund financial statement can be found in Exhibit E-1 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-61 of this report.

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Combining statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 68-79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Taos, assets exceeded liabilities by \$78,272,288 at the close of the current fiscal year.

The significant portion of the Town of Taos' net assets represents the Town's investment of \$67,198,829 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment), less any related outstanding debt used to acquire those assets. The Town of Taos uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Taos' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current and other assets	\$ 8,106,377	\$ 5,605,469	\$ 13,711,846
Restricted cash and cash equivalents	184,495	1,255,717	1,440,212
Bond issuance costs and discount	179,767	-	179,767
Capital assets, net of accumulated depreciation	53,480,621	28,021,848	81,502,469
Total assets	61,951,260	34,883,034	96,834,294
Liabilities			
Current Liabilities	1,583,691	1,615,109	3,198,800
Non-current liabilities	8,426,997	6,936,209	15,363,206
Total liabilities	10,010,688	8,551,318	18,562,006
Net Assets			
Invested in capital assets, net of related debt	44,645,935	22,552,894	67,198,829
Restricted	4,011,095	1,255,717	5,266,812
Unrestricted	3,283,542	2,523,105	5,806,647
Total net assets	51,940,572	26,331,716	78,272,288
Total Liabilities and Net Assets	\$ 61,951,260	\$ 34,883,034	\$ 96,834,294

A portion of the Town of Taos' governmental net assets (7 percent) represents resources that are subject to restrictions. The restrictions relate to covenants provided by the Town's long-term debt issuance and capital projects. The remaining balance of *unrestricted net assets*, \$3,283,542 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Taos is able to report positive balances in all three categories of net assets, for the government as a whole as well as for the business-type activities, as a whole.

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Analysis of Changes in Net Assets

The Town's net assets increased by \$5,356,196 during the current fiscal year. These increases are explained in the government and business-type activities discussion below, and are primarily a result of increased revenues from charges for service and capital grants during the fiscal year.

<u>Revenues</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for service	\$ 1,191,597	\$ 4,860,639	\$ 6,052,236
Operating grants and contributions	1,198,670	-	1,198,670
Capital grants and contributions	1,876,920	5,666,542	7,543,462
General revenues:			
Property taxes, levied for general purposes	849,737	-	849,737
Gross receipts taxes	10,388,344	479,064	10,867,408
Gasoline and auto distribution taxes	353,663	-	353,663
Other taxes	1,272,971	-	1,272,971
Interest income	12,344	9,173	21,517
Miscellaneous income	53,669	332,480	386,149
Transfers	-	-	-
Loss on disposal of capital assets	5,732	22,401	28,133
Total Revenues	17,203,647	11,370,299	28,573,946
Program expenses:			
General government	\$ 6,996,281	-	\$ 6,996,281
Public safety	3,794,152	-	3,794,152
Public works	3,355,181	-	3,355,181
Culture and recreation	2,844,602	-	2,844,602
Health and welfare	648,928	-	648,928
Interest on long-term debt	335,845	-	335,845
Joint water and sewer	-	3,276,488	3,276,488
Solid waste	-	1,039,145	1,039,145
Taos Regional Landfill	-	2,259,866	2,259,866
Total Expenses	17,974,989	6,575,499	24,550,488
Change in net assets	(771,342)	4,794,800	# 4,023,458
Net assets, beginning	52,711,914	21,536,916	74,248,830
Net assets, ending	\$ 51,940,572	\$ 26,331,716	\$ 78,272,288

Governmental activities. Governmental activities decreased the Town of Taos' net assets by (\$771,342). The key elements of this decrease are as follows:

- The decrease in revenues from operating and capital grants, and other taxes was part of the net decrease along with expenditures increasing from the prior year.
- Tax revenues account for \$12,864,715 or 75 percent of governmental revenues. Tax revenues are made up of property, gross receipts, gasoline and motor vehicle and other taxes.

State of New Mexico
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- The General fund received the majority of the Town's program revenue, accounting for \$6,996,281 or 41 percent of total governmental revenues. The primary recipients of these revenues are general government and public safety.
- The Town's direct charges to users of governmental services made up \$1,191,597 or 7 percent of total governmental revenues. These charges are for fees, fines and forfeitures, and licenses and permits.

Business-type activities. Business-type activities increased the Town's net assets by \$4,794,800.

- The Town's direct charges to users of business-type services made up \$4,860,639 or 43 percent of total business-type revenues. These charges are for water and sewer services, water and sewer connection fee. These direct charges for service increased by \$556,708 from the previous year due to a rate adjustment for water and sewer services.
- The Town received several capital grants this year which increased net assets by \$4,794,800 which contributed to the overall increase in net assets.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town of Taos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Taos' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Taos' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

Revenues for governmental functions overall totaled approximately \$17,052,304 in the fiscal year ended June 30, 2011, which represents a decrease of (\$1,893,274) from the fiscal year ended June 30, 2010. This is largely due to the decrease in federal and state operating and capital grants. Expenditures for governmental functions, totaling \$18,379,767, decreased by approximately \$1,127,720 from the fiscal year ended June 30, 2010. This is largely due to the increase in expenditures in the general government. In the fiscal year ended June 30, 2011, expenditures for governmental functions exceeded revenues by approximately (\$1,316,220).

The General Fund is the chief operating fund of the Town of Taos. At the end of the current fiscal year, *unassigned* fund balance of the general fund was also the total fund balance of \$1,443,211.

The fund balance of the Town of Taos' general fund increased by \$812,304 during the current fiscal year, due to an increase in revenue and a decrease in expenditures. Overall, the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2011 of \$1,347,727 a decrease of (\$102,193) over the comparable figure from the prior year of \$1,449,920.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for enterprise funds were \$2,523,105. The total increase in net assets for the enterprise funds was \$4,794,800. Factors concerning the finances of this fund have been addressed previously in the discussion of the Town's business-type activities.

Fiduciary Funds. The Town maintains fiduciary funds for the assets associated with bid bonds, street cuts permits and recreation deposits. Changes to the fiduciary funds were immaterial for the fiscal year.

State of New Mexico
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General Fund Budgetary Highlights

Town budgets reflect the same pattern as seen in the revenue and expenditures of the Town. The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the Town level, Taos utilizes goals and objectives defined by the Town Council, community input meetings, long term plans and input from various staff groups to develop the Town budget. Town priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The following table examines the summary budget performance of the general fund for the fiscal year ending June 30, 2010. Detailed budget performance is examined through the Statement of Revenues, Expenditures, and Changes in Fund Balance for the general fund found at Exhibit C-1. The Town's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year and expenditures not needed. Actual general fund expenditures were \$633,153 less than the final budget amount (favorable variance). This was primarily to general governmental favorable variance of \$361,791. The difference between actual expenditures and budgeted expenditures is due to various expenditures that were expected to occur during the year ended June 30, 2011, but savings from personnel vacancies cost saving measures caused this favorable variance.

	Budget Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variance
	Original	Final		
<i>Expenditures:</i>				
General government	\$ 4,436,161	\$ 4,392,179	\$ 4,030,388	\$ 361,791
Public safety	2,890,254	2,900,757	2,787,193	113,564
Public works	1,032,253	1,003,674	959,807	43,867
Culture and recreation	1,934,170	1,850,759	1,736,828	113,931
<i>Total Expenditures</i>	<u>\$ 10,292,838</u>	<u>\$ 10,147,369</u>	<u>\$ 9,514,216</u>	<u>\$ 633,153</u>

Capital Asset and Debt Administration

Capital assets. The Town of Taos' capital assets for its governmental and business-type activities as of June 30, 2011 amount to \$81,502,469 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and infrastructure. The total in the Town's capital assets (net of accumulated depreciation) for the current fiscal year was an increase of \$245,416 for governmental activities and an increase of \$6,239,019 for business-type activities.

The significant additions to capital assets during the year were as follows:

- Additions to governmental buildings and infrastructure for completion of the Town Hall Renovations, Morgan Road Improvements, Reed & Alexander Street Improvements and NM68 Sidewalks Enhancements.
- \$2,308,475 was from additions to governmental activities construction in progress for Eco Park Recreation Facility.
- \$5,715,621 additions to business type construction in progress for upgrades to the Wastewater Treatment Plant.

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Capital assets, net of depreciation

	Governmental Activities	Business-like Activities	Total
Land	\$ 6,277,809	\$ 262,422	\$ 6,540,231
Constuction in progress	2,770,124	8,870,192	11,640,316
Buildings and improvements	33,306,067	4,385,023	37,691,090
Machinery and Equipment	15,215,742	8,624,969	23,840,711
Infrastructure	49,200,941	21,017,583	70,218,524
Land improvements	5,068,985	104,895	5,173,880
Total capital assets	111,839,668	43,265,084	155,104,752
Less: accumulated depreciation	(58,359,047)	(15,243,236)	(73,602,283)
Total property, plant and equipment, net of accumulated depreciation	\$ 53,480,621	\$ 28,021,848	\$ 81,502,469

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

Debt Administration. At the end of the current fiscal year, the Town of Taos had total long-term obligations outstanding of \$15,497,825. There were no additions to long term debt during the year.

Outstanding debt

	Governmental Activities	Business-type Activities	Total
Revenue Bonds	\$ 6,130,000	\$ 2,098,600	\$ 8,228,600
NMFA amd RUS Loans	2,704,686	3,370,354	6,075,040
USDA Contract Payable	-	-	-
Compensated absences	651,167	62,827	713,994
Landfill Closure Liability	-	1,812,918	1,812,918
Total long-term liabilities	\$ 9,485,853	\$ 7,344,699	\$ 16,830,552

See Note 7 in the accompanying Notes to the Financial Statements for further information regarding the Town of Taos' long-term debt.

The Town knows of no currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

State of New Mexico
Town of Taos
Management's Discussion and Analysis
June 30, 2011

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Taos' finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Taos – Finance Director, Town of Taos, 400 Camino de la Placita, Taos, New Mexico, 87571, (575) 751-2024.

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Taos

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,738,329	\$ 2,489,533	\$ 4,227,862
Investments	3,346,130	1,634,939	4,981,069
Receivables:			
Property taxes	212,019	-	212,019
Other taxes	1,186,519	-	1,186,519
Due from other governments	1,619,639	702,971	2,322,610
Customer receivables, net	-	781,767	781,767
Internal balances	3,741	(3,741)	-
Total current assets	8,106,377	5,605,469	13,711,846
Noncurrent assets			
Restricted cash and cash equivalents	184,495	1,255,717	1,440,212
Bond issuance costs, net of accumulated amortization of \$37,662	179,767	-	179,767
Capital assets	111,839,668	43,265,084	155,104,752
Less: accumulated depreciation	(58,359,047)	(15,243,236)	(73,602,283)
Total noncurrent assets	53,844,883	29,277,565	83,122,448
Total assets	\$ 61,951,260	\$ 34,883,034	\$ 96,834,294

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 286,457	\$ 878,428	\$ 1,164,885
Accrued payroll	131,573	14,581	146,154
Deposits held in trust for others	5,103	248,035	253,138
Accrued compensated absences	442,418	62,827	505,245
Accrued interest	44,062	65,575	109,637
Current portion of bonds payable	435,000	43,000	478,000
Current portion of loans and contracts payable	239,078	302,663	541,741
Total current liabilities	<u>1,583,691</u>	<u>1,615,109</u>	<u>3,198,800</u>
Noncurrent liabilities			
Accrued compensated absences	208,749	-	208,749
Accrued landfill closure costs	-	1,812,918	1,812,918
Bond premiums, net of accumulated amortization of \$13,202	57,640	-	57,640
Bonds payable	5,695,000	2,055,600	7,750,600
Loans and contracts payable	2,465,608	3,067,691	5,533,299
Total noncurrent liabilities	<u>8,426,997</u>	<u>6,936,209</u>	<u>15,363,206</u>
Total liabilities	<u>10,010,688</u>	<u>8,551,318</u>	<u>18,562,006</u>
Net Assets			
Invested in capital assets, net of related debt	44,645,935	22,552,894	67,198,829
Restricted for:			
Debt service	400,771	1,255,717	1,656,488
Capital projects	1,978,586	-	1,978,586
Special revenue	1,631,738	-	1,631,738
Unrestricted	3,283,542	2,523,105	5,806,647
Total net assets	<u>51,940,572</u>	<u>26,331,716</u>	<u>78,272,288</u>
Total liabilities and net assets	<u>\$ 61,951,260</u>	<u>\$ 34,883,034</u>	<u>\$ 96,834,294</u>

STATE OF NEW MEXICO
Town of Taos
Statement of Activities
For the Year Ended June 30, 2011

<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	\$ 6,996,281	\$ 1,070,681	\$ 468,034	\$ -
Public safety	3,794,152	-	295,058	-
Public works	3,355,181	-	-	1,876,920
Culture and recreation	2,844,602	68,493	-	-
Health and welfare	648,928	52,423	435,578	-
Interest on long-term debt	335,845	-	-	-
<i>Total governmental activities</i>	<u>17,974,989</u>	<u>1,191,597</u>	<u>1,198,670</u>	<u>1,876,920</u>
Business-type Activities:				
Water and sewer	3,276,488	2,626,140	-	5,972,077
Solid waste	1,039,145	1,290,935	-	-
Taos regional landfill	2,259,866	943,564	-	-
<i>Total business-type activities</i>	<u>6,575,499</u>	<u>4,860,639</u>	<u>-</u>	<u>5,972,077</u>
<i>Total primary government</i>	<u>\$ 24,550,488</u>	<u>\$ 6,052,236</u>	<u>\$ 1,198,670</u>	<u>\$ 7,848,997</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Franchise taxes

Lodger's taxes

Other taxes

Interest income

Miscellaneous income

Gain on disposal of capital assets

Total general revenues

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
\$ (5,457,566)	\$ -	\$ (5,457,566)
(3,499,094)	-	(3,499,094)
(1,478,261)	-	(1,478,261)
(2,776,109)	-	(2,776,109)
(160,927)	-	(160,927)
(335,845)	-	(335,845)
<u>(13,707,802)</u>	<u>-</u>	<u>(13,707,802)</u>
-	5,321,729	5,321,729
-	251,790	251,790
-	<u>(1,316,302)</u>	<u>(1,316,302)</u>
-	<u>4,257,217</u>	<u>4,257,217</u>
<u>(13,707,802)</u>	<u>4,257,217</u>	<u>(9,450,585)</u>
849,737	-	849,737
10,388,344	479,064	10,867,408
353,663	-	353,663
300,464	-	300,464
970,011	-	970,011
2,496	-	2,496
12,344	9,173	21,517
53,669	26,945	80,614
5,732	22,401	28,133
<u>12,936,460</u>	<u>537,583</u>	<u>13,474,043</u>
(771,342)	4,794,800	4,023,458
<u>52,711,914</u>	<u>21,536,916</u>	<u>74,248,830</u>
<u>\$ 51,940,572</u>	<u>\$ 26,331,716</u>	<u>\$ 78,272,288</u>

STATE OF NEW MEXICO

Town of Taos
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit B-1
Page 1 of 2

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 617,164	\$ 9,805	\$ 1,295,855	\$ 1,922,824
Investments	1,321,049	530,941	1,494,140	3,346,130
Receivables:				
Property taxes	212,019	-	-	212,019
Other taxes	815,742	-	370,777	1,186,519
Due from other governments	809,023	204,078	606,538	1,619,639
Due from other funds	206,694	-	-	206,694
<i>Total assets</i>	<u>\$ 3,981,691</u>	<u>\$ 744,824</u>	<u>\$ 3,767,310</u>	<u>\$ 8,493,825</u>
<i>Liabilities</i>				
Accounts payable	\$ 103,278	\$ 18,838	\$ 164,341	\$ 286,457
Accrued payroll	110,649	-	20,924	131,573
Deposits held in trust for others	-	-	5,103	5,103
Deferred revenue	196,286	-	94,665	290,951
Due to other funds	-	-	202,953	202,953
<i>Total liabilities</i>	<u>410,213</u>	<u>18,838</u>	<u>487,986</u>	<u>917,037</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	590,354	590,354
Public safety	-	-	78,832	78,832
Culture and recreation	-	-	114,874	114,874
Public works	-	-	243,140	243,140
Fire protection	-	-	586,533	586,533
Health and welfare	-	-	19,420	19,420
Debt service expenditures	-	-	393,571	393,571
Capital projects	-	725,986	1,252,600	1,978,586
Committed to:				
Minimum fund balance	1,017,901	-	-	1,017,901
Subsequent year's expenditures	1,110,366	-	-	1,110,366
Unassigned	1,443,211	-	-	1,443,211
<i>Total fund balances</i>	<u>3,571,478</u>	<u>725,986</u>	<u>3,279,324</u>	<u>7,576,788</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,981,691</u>	<u>\$ 744,824</u>	<u>\$ 3,767,310</u>	<u>\$ 8,493,825</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, 2011

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	\$	7,576,788
Bond issuance costs net of accumulated amortization are not a current financial resource and, therefore, are not reported in the funds.		179,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		53,480,621
Delinquent property taxes and lodger's tax settlement not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities.		290,951
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest		(44,062)
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		(651,167)
Bond premiums		(57,640)
Bonds payable		(6,130,000)
Loans payable		(2,650,686)
Contracts payable		(54,000)
Total net assets of governmental activities	\$	<u>51,940,572</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 Ended June 30, 2011

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>				
Taxes				
Property	\$ 798,791	\$ -	\$ -	\$ 798,791
Gross receipts	8,681,340	731,573	975,431	10,388,344
Gasoline and motor vehicle taxes	237,616	-	116,047	353,663
Other	300,464	-	877,842	1,178,306
Intergovernmental income				
Federal operating grants	92,466	-	150,000	242,466
Federal capital grants	-	505,340	11,735	517,075
State operating grants	35,000	-	921,204	956,204
State capital grants	-	148,580	1,211,265	1,359,845
Charges for services	416,918	-	466,998	883,916
Licenses and fees	276,730	-	30,951	307,681
Interest income	7,754	1,419	3,171	12,344
Miscellaneous	14,864	-	38,805	53,669
<i>Total revenues</i>	<u>10,861,943</u>	<u>1,386,912</u>	<u>4,803,449</u>	<u>17,052,304</u>
<i>Expenditures</i>				
Current				
General government	4,030,388	-	1,757,508	5,787,896
Public safety	2,787,193	-	228,411	3,015,604
Public works	959,807	137,335	321,528	1,418,670
Culture and recreation	1,736,828	-	444,338	2,181,166
Health and welfare	-	-	626,301	626,301
Capital outlay	-	2,603,691	1,753,098	4,356,789
Debt service				
Principal	-	-	650,296	650,296
Interest	-	-	343,045	343,045
<i>Total expenditures</i>	<u>9,514,216</u>	<u>2,741,026</u>	<u>6,124,525</u>	<u>18,379,767</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,347,727</u>	<u>(1,354,114)</u>	<u>(1,321,076)</u>	<u>(1,327,463)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	10,533	-	710	11,243
Transfers in	5,415,369	438,104	3,679,356	9,532,829
Transfers out	(5,961,325)	(960,312)	(2,611,192)	(9,532,829)
<i>Total other financing sources (uses)</i>	<u>(535,423)</u>	<u>(522,208)</u>	<u>1,068,874</u>	<u>11,243</u>
<i>Net change in fund balances</i>	812,304	(1,876,322)	(252,202)	(1,316,220)
<i>Fund balance - beginning of year</i>	<u>2,759,174</u>	<u>2,602,308</u>	<u>3,531,526</u>	<u>8,893,008</u>
<i>Fund balance - end of year</i>	<u>\$ 3,571,478</u>	<u>\$ 725,986</u>	<u>\$ 3,279,324</u>	<u>\$ 7,576,788</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ (1,316,220)
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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	4,356,789
Depreciation expense	(4,596,694)

In the Statement of Activities, only the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value cost of the capital assets disposed.

	(5,511)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in deferred revenue related to property taxes receivable	50,946
Lodger's tax settlement revenue not received within the period of availability	94,665

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	(12,120)
Decrease in accrued interest	7,200
Increase in accrued compensated absences	(4,558)
Amortization of bond premiums	3,865
Principal payments on bonds payable	415,000
Principal payments on loans payable	217,296
Payments on contracts payable	18,000

Change in net assets of governmental activities	<u><u>\$ (771,342)</u></u>
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The accompanying notes are an integral part of these financial statements

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 Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
<i>Taxes</i>				
Property taxes	\$ 837,097	\$ 837,097	\$ 798,791	\$ (38,306)
Gross receipts	8,154,705	8,716,532	8,681,340	(35,192)
Gas and motor vehicle	229,019	235,537	237,616	2,079
Other	370,650	370,650	300,464	(70,186)
<i>Intergovernmental income</i>				
Federal operating grants	-	-	92,466	92,466
Federal capital grants	-	-	-	-
State operating grants	35,000	35,000	35,000	-
State capital grants	-	-	-	-
Charges for services	417,301	417,301	416,918	(383)
Licenses and fees	257,693	257,693	276,730	19,037
Interest income	8,571	8,571	7,754	(817)
Miscellaneous	20,379	20,379	14,864	(5,515)
<i>Total revenues</i>	<u>10,330,415</u>	<u>10,898,760</u>	<u>10,861,943</u>	<u>(36,817)</u>
<i>Expenditures</i>				
<i>Current</i>				
General government	4,436,161	4,392,179	4,030,388	361,791
Public safety	2,890,254	2,900,757	2,787,193	113,564
Public works	1,032,253	1,003,674	959,807	43,867
Culture and recreation	1,934,170	1,850,759	1,736,828	113,931
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>10,292,838</u>	<u>10,147,369</u>	<u>9,514,216</u>	<u>633,153</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>37,577</u>	<u>751,391</u>	<u>1,347,727</u>	<u>596,336</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	309,498	(205,436)	-	205,436
Transfers in	4,938,637	5,415,370	5,415,369	(1)
Transfers out	(5,285,712)	(5,961,325)	(5,961,325)	-
Proceeds from sale of capital assets	-	-	10,533	10,533
<i>Total other financing sources (uses)</i>	<u>(37,577)</u>	<u>(751,391)</u>	<u>(535,423)</u>	<u>215,968</u>
<i>Net change in fund balance</i>	-	-	812,304	812,304
<i>Fund balance - beginning of year</i>	-	-	2,759,174	2,759,174
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,571,478</u>	<u>\$ 3,571,478</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, 2011

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 1,166,927	\$ 773,023	\$ 549,583	\$ 2,489,533
Investments	1,310,439	249,100	75,400	1,634,939
Due from other governments	697,244	5,727	-	702,971
Customer receivables	517,364	197,827	66,576	781,767
<i>Total current assets</i>	<u>3,691,974</u>	<u>1,225,677</u>	<u>691,559</u>	<u>5,609,210</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	312,824	-	942,893	1,255,717
Capital assets	38,453,909	595,178	4,215,997	43,265,084
Less: accumulated depreciation	(13,861,439)	(351,707)	(1,030,090)	(15,243,236)
<i>Total noncurrent assets</i>	<u>24,905,294</u>	<u>243,471</u>	<u>4,128,800</u>	<u>29,277,565</u>
<i>Total assets</i>	<u>\$ 28,597,268</u>	<u>\$ 1,469,148</u>	<u>\$ 4,820,359</u>	<u>\$ 34,886,775</u>
<i>Liabilities and net assets</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 711,091	\$ 85,885	\$ 81,452	\$ 878,428
Accrued payroll	9,611	1,234	3,736	14,581
Meter deposits payable	248,035	-	-	248,035
Accrued compensated absences	43,381	2,720	16,726	62,827
Interfund payable	783	-	2,958	3,741
Accrued interest payable	61,076	-	4,499	65,575
Current portion of bonds payable	43,000	-	-	43,000
Current portion of loans and contracts payable	135,828	-	166,835	302,663
<i>Total current liabilities</i>	<u>1,252,805</u>	<u>89,839</u>	<u>276,206</u>	<u>1,618,850</u>
<i>Noncurrent liabilities</i>				
Accrued landfill closure costs	-	-	1,812,918	1,812,918
Bonds payable	2,055,600	-	-	2,055,600
Loans payable	2,266,037	-	801,654	3,067,691
<i>Total noncurrent liabilities</i>	<u>4,321,637</u>	<u>-</u>	<u>2,614,572</u>	<u>6,936,209</u>
<i>Total liabilities</i>	<u>5,574,442</u>	<u>89,839</u>	<u>2,890,778</u>	<u>8,555,059</u>
<i>Net assets</i>				
Invested in capital assets, net of related debt	20,092,005	243,471	2,217,418	22,552,894
Restricted for:				
Debt service	312,824	-	942,893	1,255,717
Unrestricted	2,617,997	1,135,838	(1,230,730)	2,523,105
<i>Total net assets</i>	<u>23,022,826</u>	<u>1,379,309</u>	<u>1,929,581</u>	<u>26,331,716</u>
<i>Total liabilities and net assets</i>	<u>\$ 28,597,268</u>	<u>\$ 1,469,148</u>	<u>\$ 4,820,359</u>	<u>\$ 34,886,775</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Taos
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Operating revenues</i>				
Charges for services	\$ 2,626,140	\$ 1,290,935	\$ 943,564	\$ 4,860,639
<i>Total operating revenues</i>	2,626,140	1,290,935	943,564	4,860,639
<i>Operating expenses</i>				
Personnel services	671,928	83,554	339,493	1,094,975
Contractual services	819,012	669,150	1,574,478	3,062,640
Supplies	199,027	15,213	5,480	219,720
Repairs and maintenance	95,989	18,745	112,401	227,135
Utilities	277,296	239,595	6,488	523,379
Equipment	-	-	-	-
Depreciation	1,036,555	11,581	188,554	1,236,690
Other costs	32,263	1,307	1,777	35,347
<i>Total operating expenses</i>	3,132,070	1,039,145	2,228,671	6,399,886
<i>Operating income (loss)</i>	(505,930)	251,790	(1,285,107)	(1,539,247)
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	479,064	-	-	479,064
Interest expense	(144,418)	-	(31,195)	(175,613)
Interest income	7,619	-	1,554	9,173
Gain on disposal of capital assets	18,401	-	4,000	22,401
Miscellaneous income	5,934	14,966	6,045	26,945
<i>Total non-operating revenues (expenses)</i>	366,600	14,966	(19,596)	361,970
State and federal capital grants	5,972,077	-	-	5,972,077
Transfers in	2,800,358	-	-	2,800,358
Transfers out	(2,800,358)	-	-	(2,800,358)
<i>Change in net assets</i>	5,832,747	266,756	(1,304,703)	4,794,800
<i>Net assets, beginning of year</i>	17,190,079	1,112,553	3,234,284	21,536,916
<i>Net assets, end of year</i>	\$ 23,022,826	\$ 1,379,309	\$ 1,929,581	\$ 26,331,716

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Taos
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 2,933,999	\$ 1,236,244	\$ 975,636	\$ 5,145,879
Cash payments to employees for services	(659,172)	(83,275)	(337,432)	(1,079,879)
Cash payments to suppliers for goods and services	(1,977,639)	(1,002,463)	(307,416)	(3,287,518)
<i>Net cash provided by operating activities</i>	<u>297,188</u>	<u>150,506</u>	<u>330,788</u>	<u>778,482</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	479,064	-	-	479,064
Miscellaneous income	5,934	14,966	6,048	26,948
Payments for noncurrent accrued compensated absences	(7,094)	(961)	(5,395)	(13,450)
Interfund advances (payments) and transfers	36,002	(98,160)	92,547	30,389
<i>Net cash provided (used) by noncapital financing activities</i>	<u>513,906</u>	<u>(84,155)</u>	<u>93,200</u>	<u>522,951</u>
<i>Cash flows from capital and related financing activities</i>				
State and federal capital grants	5,972,077	-	-	5,972,077
Interest paid	(145,767)	-	(31,866)	(177,633)
Principal payments on long-term debt	(121,971)	-	(162,579)	(284,550)
Proceeds from sale of capital assets	18,401	-	4,000	22,401
Acquisition of capital assets	(7,185,935)	(178,664)	(111,113)	(7,475,712)
<i>Net cash (used) by capital and related financing activities</i>	<u>(1,463,195)</u>	<u>(178,664)</u>	<u>(301,558)</u>	<u>(1,943,417)</u>
<i>Cash flows from investing activities</i>				
Purchases of investments	(3,775)	-	-	(3,775)
Interest on investments	7,619	-	1,554	9,173
<i>Net cash provided by investing activities</i>	<u>3,844</u>	<u>-</u>	<u>1,554</u>	<u>5,398</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(648,257)	(112,313)	123,984	(636,586)
<i>Cash and cash equivalents - beginning of year</i>	<u>2,128,008</u>	<u>885,336</u>	<u>1,368,492</u>	<u>4,381,836</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,479,751</u>	<u>\$ 773,023</u>	<u>\$ 1,492,476</u>	<u>\$ 3,745,250</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>				
Operating income (loss)	\$ (505,930)	\$ 251,790	\$ (1,285,107)	\$ (1,539,247)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,036,555	11,581	188,554	1,236,690
Changes in assets and liabilities				
Receivables	307,859	(54,688)	32,072	285,243
Accounts payable	(560,523)	(58,456)	60,480	(558,499)
Accrued payroll expenses	2,588	268	353	3,209
Current accrued compensated absences	10,168	11	1,708	11,887
Meter deposits	6,471	-	-	6,471
<i>Net cash provided by operating activities</i>	<u>\$ 297,188</u>	<u>\$ 150,506</u>	<u>\$ 330,788</u>	<u>\$ 778,482</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit E-1

Town of Taos

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2011

Assets

Cash	\$	10,582
Investments		<u>62,500</u>
Total assets	\$	<u><u>73,082</u></u>

Liabilities

Deposits payable	\$	71,335
Due to other entities		<u>1,747</u>
Total liabilities	\$	<u><u>73,082</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

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 Standards 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 the Financial Statements
June 30, 2011

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 the Financial Statements
June 30, 2011

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 the Financial Statements
June 30, 2011

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 Town reports the following fund type:

The *Fiduciary Fund* is purely custodial (assets equal liabilities) and does not involve the measurement of results of operations. This fund accounts for assets held by the Town in a trustee capacity for the judicial system bonds.

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.

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Proprietary funds distinguish operating revenues and expenses from 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.

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 Taos 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets: Capital assets, which include property, plant, equipment, 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 costs 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 machinery 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.

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.

Those employees who have accrued above 500 hours of personal leave as of December 31, 2009, will be permitted to take their accrued leave in excess of 500 hours, up to a maximum of 136 hours above the cap as long as leave is taken December 31, of the previous fiscal year.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Fund Balance Classification Policies and Procedures: For committed fund balance, the Town's highest level of decision-making authority is the Town Council. The formal action that is required to be taken to establish a fund balance commitment is the Town Council.

For assigned fund balance, the Town Council or an official or body to which the Town Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2011, the Town did not have any fund balances in non spendable form.

Restricted and Committed Fund Balance: At June 30, 2011, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$590,354 for various general government operations as restricted by enabling legislation, \$78,832 for public safety, \$114,874 for culture and recreation, \$243,140 for public works, \$586,533 for fire protection, \$19,420 for health and welfare, \$393,571 for debt service expenditures, and \$1,978,586 for capital projects. The Town has committed fund balance of the general fund for subsequent year's expenditures in the amount of \$1,110,366. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 26.

Minimum Fund Balance Policy: The Town's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Town holds cash reserves of 1/12th the General Fund expenditures. The amount at June 30, 2011 for the Town is \$1,017,901.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

- a. Invested in capital assets, net of related debt: 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. Descriptions for the related restrictions for net assets restricted for “special revenue” and “capital projects” are described on pages 38 and 64-67.
- 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.

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 Councilors, 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.

Governmental fund 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.

Proprietary fund 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. The Town does not budget for depreciation expense, only capital outlay.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

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	\$ 37,577	\$ 751,391
Capital Projects Fund	\$ (1,944,422)	\$ (1,926,617)
Nonmajor Governmental Funds	\$ (4,744,818)	\$ (4,737,750)
	<u>Change in net assets</u>	
Budgeted Funds:		
Water and Sewer	\$ 2,165,545	\$ 2,060,152
Solid Waste	\$ (191,770)	\$ (191,770)
Taos Regional Landfill	\$ (23,921)	\$ (54,432)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Assets- Budget (GAAP Basis) and Actual present 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, 2011.

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 (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

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, 2011, \$5,977,818 of the Town's deposits of \$6,839,822 was exposed to custodial credit risk. \$5,152,656 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name and \$825,162 was uninsured and uncollateralized.

	First Community Bank	Centinel Bank	Total
	<u> </u>	<u> </u>	<u> </u>
Amount of deposits	\$ 4,482,776	\$ 2,357,046	\$ 6,839,822
Deposit Accounts covered by the "Dodd-Frank Deposit Insurance Provision"	(41,443)	(70,561)	(112,004)
FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>3,941,333</u>	<u>2,036,485</u>	<u>5,977,818</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	<u>3,941,333</u>	<u>1,211,323</u>	<u>5,152,656</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 825,162</u>	<u>\$ 825,162</u>
Collateral requirement (50% of uninsured funds)	\$ 1,970,667	\$ 1,018,243	\$ 2,988,910
Pledged Collateral	<u>4,313,355</u>	<u>1,211,323</u>	<u>5,524,678</u>
Over (Under) collateralized	<u>\$ 2,342,688</u>	<u>\$ 193,080</u>	<u>\$ 2,535,768</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 the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Investments

The Town invests excess cash in the State Treasurer Local Government Investment Pool. The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2011, the Town's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

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, 2011 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
New MexicoGROW Local Government Investment Pool	AAAM	36 Days	\$ 4,638,833
Reserve Contingency Fund	Unrated	Does not earn interest	39,236
U.S. Treasury Money Market Mutual Funds *	AAA	>365 Days	390,059
New Mexico State Treasurer Debt Service *	AAA	>365 Days	181,588
			<u>\$ 5,249,716</u>

*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.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investments in the New MexiGROW LGIP and U.S Treasury Money Market Mutual Funds represent 88% and 7%, respectively, of the investment portfolio. Since the Town only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Town. The Town's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 4,227,862
Restricted cash and cash equivalents per Exhibit A-1	1,440,212
Agency funds cash per Exhibit E-1	10,582
Certificates of deposits (maturity > 3 months)	365,500
Plus outstanding checks	1,571,966
Less deposits in transit	(203,653)
Less U.S. Treasury Money Market Mutual Funds	(390,059)
Less New Mexico State Treasurer Debt Service	(181,588)
Less petty cash	<u>(1,000)</u>
Bank balance of deposits	<u><u>\$ 6,839,822</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2011, are as follows:

Governmental Activities:	General	Capital Projects	Other Governmental Funds	Total
Property taxes receivable	\$ 212,019	\$ -	\$ -	\$ 212,019
Other taxes receivable:				
Gross receipts	786,120		255,098	1,041,218
Gasoline and motor vehicle	29,622	-	19,130	48,752
Lodger's taxes	-	-	96,549	96,549
Due from other governments:				
Intergovernmental:				
Federal grants	82,466	-	-	82,466
State grants	726,557	204,078	606,538	1,537,173
Total receivables	<u>\$1,836,784</u>	<u>\$ 204,078</u>	<u>\$ 977,315</u>	<u>\$3,018,177</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, 2011 was \$196,286. In addition, the Town also deferred revenue related to a lodger's tax settlement that has not been received within the period of availability in the amount of \$94,665.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 4. Receivables (continued)

Business-type Activities:	Water and Sewer	Solid Waste	Taos Regional Landfill	Total
Customer receivables	\$ 875,647	\$ 201,197	\$ 104,800	\$1,181,644
Other receivables:				
Gross receipts taxes	80,217	-	-	80,217
Intergovernmental:				
State grants	617,027	5,727	-	622,754
Total gross receivables	<u>1,572,891</u>	<u>206,924</u>	<u>104,800</u>	<u>1,884,615</u>
Less: allowance for doubtful accounts	<u>358,283</u>	<u>3,370</u>	<u>38,224</u>	<u>399,877</u>
Total net receivables	<u>\$1,214,608</u>	<u>\$ 203,554</u>	<u>\$ 66,576</u>	<u>\$1,484,738</u>

NOTE 5. Transfers and Interfund Receivables

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

Governmental Activities:	Transfers In	Transfers Out	Amount
General Fund		Lodger's Tax	13,500
General Fund		Community Grants	39,000
General Fund		1/4 Cent Municipal GRT	181,097
General Fund		Facilities Improvements	213,000
General Fund		Capital Projects	173,121
General Fund		General Fund	4,795,651
Recreation		Community Grants	3,568
Lodger's Tax		General Fund	298,000
Lodger's Tax		Lodger's Tax	362,103
Local Government Correction		General Fund	121,191
Civic Center		Lodger's Tax	312,103
Civic Center		General Fund	72,047
Public Transportation		Lodger's Tax	153,280
Community Grants		General Fund	15,000
1/4 Cent Municipal GRT		Capital Projects	12,500
Communications Fund		General Fund	286,400
NMFA Debt Service Reserve Eco Park		1/4 Cent Municipal GRT	180,784
2008 State Shared GRT RB Retirement		1/4 Cent Municipal GRT	492,000
1999 Gas Tax Revenue Bond Retirement		General Fund	47,867
1999 Gas Tax Revenue Bond Retirement		Municipal Road Gasoline Tax	105,235
1999 Gas Tax Revenue Bond Retirement		1999 Gas Tax Revenue Bond Reserve	1,837
1999 Gas Tax Revenue Bond Retirement		State Shared Gasoline Tax	164,919
2007 NMFA PPRF Land Purchase		1/4 Cent Municipal GRT	92,000
Facilities Improvement Fund		Capital Projects	295,000
Capital Projects		Community Grants	30,000
Capital Projects		Facilities Improvements	408,104
Airport Construction		General Fund	3,000
2009 NMFA PPRF Disadvantage Program- Eco Park		General Fund	180,831
1999 Gas Tax Acquisition Fund		Capital Projects	479,691
			<u>\$ 9,532,829</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 5. Transfers and Interfund Receivables (continued)

Business-Type Activities:

Transfers In	Transfers Out	Amount
Water and Sewer	Water and Sewer	<u>\$ 2,800,358</u>

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2011 is as follows:

Due from Other Funds	Due to Other Funds	Amount
General Fund	Water and Sewer	\$ 783
General Fund	Taos Regional Landfill	2,958
General Fund	1999 Gasoline Tax Acquisition	<u>202,953</u>
		<u>\$ 206,694</u>

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

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and construction in progress are not subject to depreciation.

	Balance June 30, 2010	Reclassifications	Additions	Deletions	Balance June 30, 2011
Governmental activities:					
Capital assets, not depreciated:					
Land	\$ 6,277,809	\$ -	\$ -	\$ -	\$ 6,277,809
Construction in progress	<u>7,501,644</u>	<u>(7,384,741)</u>	<u>2,503,010</u>	<u>(150,211)</u>	<u>2,770,124</u>
Total capital assets, not depreciated	<u>13,779,453</u>	<u>(7,384,741)</u>	<u>2,503,010</u>	<u>(150,211)</u>	<u>9,047,933</u>
Capital assets, depreciated:					
Land improvements	5,068,985	-	-	-	5,068,985
Buildings and improvements	27,221,556	6,231,695	-	147,184	33,306,067
Machinery and equipment	15,242,273	-	173,328	199,859	15,215,742
Infrastructure	<u>46,367,444</u>	<u>1,153,046</u>	<u>1,680,451</u>	<u>-</u>	<u>49,200,941</u>
Total capital assets, depreciated	<u>93,900,258</u>	<u>7,384,741</u>	<u>1,853,779</u>	<u>347,043</u>	<u>102,791,735</u>
Less accumulated depreciation:					
Land improvements	(3,356,500)	-	(245,047)	-	(3,601,547)
Buildings and improvements	(10,640,299)	-	(1,572,137)	-	(12,212,436)
Machinery and equipment	(10,809,919)	-	(1,056,689)	(191,321)	(11,675,287)
Infrastructure	<u>(29,146,956)</u>	<u>-</u>	<u>(1,722,821)</u>	<u>-</u>	<u>(30,869,777)</u>
Total accumulated depreciation	<u>(53,953,674)</u>	<u>-</u>	<u>(4,596,694)</u>	<u>(191,321)</u>	<u>(58,359,047)</u>
Net book value	<u>\$ 53,726,037</u>	<u>\$ -</u>	<u>\$ (239,905)</u>	<u>\$ 5,511</u>	<u>\$ 53,480,621</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2011 was charged to governmental activities as follows:

General government	\$ 1,574,960
Public safety	599,480
Public works	1,875,093
Culture and recreation	547,161
	<u>\$ 4,596,694</u>

Business-type activities:	<u>Balance June 30, 2010</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, not depreciated:					
Land	\$ 262,422	\$ -	\$ -	\$ -	\$ 262,422
Construction in progress	<u>2,635,438</u>	<u>(10,390)</u>	<u>6,245,144</u>	<u>-</u>	<u>8,870,192</u>
Total capital assets, not depreciated	<u>2,897,860</u>	<u>(10,390)</u>	<u>6,245,144</u>	<u>-</u>	<u>9,132,614</u>
Capital assets, depreciated:					
Land improvements	104,895	-	-	-	104,895
Buildings and improvements	4,305,980	10,390	85,154	16,501	4,385,023
Machinery and equipment	8,452,022	-	252,860	79,913	8,624,969
Infrastructure	<u>20,108,528</u>	<u>-</u>	<u>909,055</u>	<u>-</u>	<u>21,017,583</u>
Total capital assets, depreciated	<u>32,971,425</u>	<u>10,390</u>	<u>1,247,069</u>	<u>96,414</u>	<u>34,132,470</u>
Less accumulated depreciation:					
Land improvements	(80,278)	-	(2,799)	-	(83,077)
Buildings and improvements	(1,820,326)	-	(159,325)	-	(1,979,651)
Machinery and equipment	(5,797,709)	-	(306,739)	(79,913)	(6,024,535)
Infrastructure	<u>(6,388,146)</u>	<u>-</u>	<u>(767,827)</u>	<u>-</u>	<u>(7,155,973)</u>
Total accumulated depreciation	<u>(14,086,459)</u>	<u>-</u>	<u>(1,236,690)</u>	<u>(79,913)</u>	<u>(15,243,236)</u>
Net book value	<u>\$ 21,782,826</u>	<u>\$ -</u>	<u>\$ 6,255,523</u>	<u>\$ 16,501</u>	<u>\$ 28,021,848</u>

Depreciation expense for the year ended June 30, 2011 was charged to business-type activities as follows:

Water and sewer	\$ 1,036,555
Solid waste	11,581
Landfill	188,554
	<u>\$ 1,236,690</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Revenue Bonds	\$ 6,545,000	\$ -	\$ 415,000	\$ 6,130,000	\$ 435,000
NMFA Loans	2,867,982	-	217,296	2,650,686	221,078
USDA Contract Payable	72,000	-	18,000	54,000	18,000
Compensated Absences	646,610	446,975	442,418	651,167	442,418
Total Long-Term Debt	\$ 10,131,592	\$ 446,975	\$ 1,092,714	\$ 9,485,853	\$ 1,116,496

Revenue Bonds

At June 30, 2011, the Town had two 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
Series 1999 Gasoline Tax	03/01/99	10/01/12	3.60-4.75%	\$1,955,000
Series 2008 Gross Receipts Tax	01/30/08	06/01/26	4.00-5.00%	6,395,000

The annual requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 435,000	\$ 247,755	\$ 682,755
2013	450,000	229,188	679,188
2014	280,000	209,800	489,800
2015	290,000	198,600	488,600
2016	300,000	187,000	487,000
2017-2021	1,515,000	826,650	2,341,650
2022-2026	2,860,000	180,890	3,040,890
	\$ 6,130,000	\$ 2,079,883	\$ 8,209,883

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

NMFA Loans

The Town entered into two loan agreements 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 loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
NMFA Land Purchase Loan	04/13/07	05/01/17	3.32-3.73%	\$ 954,000
NMFA Phase I Multi-Phase Eco Park	11/25/09	05/01/25	0.62-3.67%	2,213,469

The annual requirements to amortize the NMFA loans as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 221,078	\$ 71,874	\$ 292,952
2013	225,410	67,785	293,195
2014	230,226	63,220	293,446
2015	235,585	58,119	293,704
2016	241,436	52,535	293,971
2017-2021	834,193	183,076	1,017,269
2022-2025	662,758	60,266	723,024
	<u>\$ 2,650,686</u>	<u>\$ 556,875</u>	<u>\$ 3,207,561</u>

USDA Contract Payable

At June 30, 2011, the Town had the following USDA contract payable:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2011
USDA Contract Payable	02/01/95	06/30/14	0.00%	\$ 360,000	<u>\$ 54,000</u>

The annual requirements to amortize the USDA contract payable as of June 30, 2011, including interest payments, are as follows:

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 18,000	\$ -	\$ 18,000
2013	18,000	-	18,000
2014	18,000	-	18,000
	\$ 54,000	\$ -	\$ 54,000

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.

Compensated Absences- Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences increased \$4,558 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

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, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Revenue Bonds	\$ 2,139,600	\$ -	\$ 41,000	\$ 2,098,600	\$ 43,000
NMFA and RUS Loans	3,613,904	-	243,550	3,370,354	302,663
Landfill Closure Liability	480,190	1,332,728	-	1,812,918	-
Compensated Absences	64,390	61,264	62,827	62,827	62,827
Total Long-Term Debt	\$ 6,298,084	\$ 1,393,992	\$ 347,377	\$ 7,344,699	\$ 408,490

Revenue Bonds

At June 30, 2011, the Town had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
Series 1993A Water & Sewer	03/16/93	03/16/33	5.63%	\$ 635,600
Series 1993B Water & Sewer	03/16/93	03/16/33	5.50%	123,000
Series 1995A Water & Sewer	12/05/95	12/05/35	5.125%	1,315,000
Series 1998A Water & Sewer	07/01/99	01/01/38	4.75%	475,000

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 43,000	\$ 109,235	\$ 152,235
2013	46,000	106,982	152,982
2014	49,000	104,572	153,572
2015	52,000	102,003	154,003
2016	54,000	99,279	153,279
2017-2021	316,000	450,769	766,769
2022-2026	409,000	358,541	767,541
2027-2031	529,000	239,327	768,327
2032-2036	538,600	91,745	630,345
2037-2038	62,000	4,485	66,485
	<u>\$ 2,098,600</u>	<u>\$ 1,666,938</u>	<u>\$ 3,765,538</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
RUS Series 2000A Water & Sewer	12/18/00	12/18/40	5.00%	\$ 250,000
NMFA Series 2001A Water & Sewer	05/11/01	05/01/21	4.16-5.41%	950,391
NMFA Taos Regional Landfill	04/23/04	05/01/14	.79-3.34%	1,372,684
NMFA Series 2008A Landfill	04/11/08	05/01/18	2.72-3.58%	1,000,000
NMFA/WTB Water Project Fund Loan	09/11/09	06/01/29	0.00%	130,000
NMFA/WTB Water Project Fund Loan	09/11/09	06/01/29	0.00%	600,000
NMED/ARRA Water State Revolving Fund Loan	11/23/09	06/30/30	0.00%	1,000,000

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

The annual requirement to amortize the loans as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 302,663	\$ 59,921	\$ 362,584
2013	309,252	53,597	362,849
2014	317,268	46,765	364,033
2015	251,666	39,438	291,104
2016	257,182	34,229	291,411
2017-2021	947,855	91,387	1,039,242
2022-2026	466,087	42,200	508,287
2027-2031	400,381	29,350	429,731
2032-2036	49,000	17,150	66,150
2037-2041	69,000	2,750	71,750
	\$ 3,370,354	\$ 416,787	\$ 3,787,141

Compensated Absences- Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences decreased \$1,563 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

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, 2011, 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. The Town is not aware of any major lawsuits that have been filed.

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

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. There were no funds with a deficit fund balance as of June 30, 2011.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2011:
- C. Designated cash appropriations in excess of available balances. There were no funds that had designated cash appropriations in excess of available balances for the year ended June 30, 2011.

NOTE 10. Pension Plan- Public Employees Retirement Association

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 Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 9.15% for law enforcement, fire protection and municipal employees. The Town is required to contribute the following percentages of the gross covered salary: 25.65% for law enforcement employees, 28.30% for fire protection employees, and 13.15% for municipal employees. 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 years ending June 30, 2011, 2010 and 2009 were \$1,003,393 \$1,050,500, and \$964,168, respectively, which equals the amount of the required contributions for each fiscal year.

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

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

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

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

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

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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

(1)

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

(2)

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary; and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 12	2.292%	1.146%
FY 13	2.500%	1.250%

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The Town's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$106,634, \$83,627 and \$76,488, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

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 \$1,812,918 as of June 30, 2011, which is based on 31 percent usage (filled) of the landfill. This is an increase of \$1,332,728, due to additional costs in monitoring and postclosure. The estimated total current cost of the landfill closure and postclosure care 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, 2011. 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, 2011, cash of \$613,955 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, 2011 in the amount of \$1,782,167 as follows:

Project Description	Contract Amount Remaining	Contractor
Eco Park	\$ 130,436	Lone Mountain Construction and Living Designs
Wastewater Treatment Plant Upgrades	890,256	AUI, Inc., Zenon & Souder, Miller and Associates
Well 9 Improvements	187,864	Hydro Resources- Rocky Mountain, Inc. & Souder Miller and Associates
Airport EIS	228,426	URS Corporation
Urban Interface Engine	345,185	Siddons- Martin Emergency
	<u>\$ 1,782,167</u>	

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 29, 2011 which is the date on which the financial statements were issued.

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.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There have been no additional distributions in the past year.

The New Mexico State Treasurer's Office believes that there may be additional distributions. Uncertainty remains, however, as to the timing and amounts of these distributions. Effective November 24, 2010, all remaining assets were transferred to a liquidating services agent, Crederian Fund Services LLC.

Severance Payout

On September 9, 2011, the Town paid the Town Manager a severance amount of \$111,600, which is calculated on his base salary at the time of separation. The Town Council approved a one year salary severance payout upon separation from the Town which occurred in August 2011.

NOTE 17. Concentrations

The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Town is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 18. Restricted Net Assets

The government-wide statement of net assets reports \$5,266,812 of restricted net assets, all of which is restricted by enabling legislation. See pages 38 and 64 to 67 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 19. 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 \$505,600 and \$388,586, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,059 and \$2,626,140, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 19. 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 \$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 \$99,000 and \$78,539, respectively. Principal and interest paid for the current year and total customer net revenues were \$7,555 and \$2,626,140, 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 Utility 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 \$1,085,000 and \$863,874, respectively. Principal and interest paid for the current year and total customer net revenues were \$77,683 and \$2,626,140, 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 \$409,000 and \$335,938, respectively. Principal and interest paid for the current year and total customer net revenues were \$27,085 and \$2,626,140, respectively.

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 \$225,000 and \$195,650, respectively. Principal and interest paid for the current year and total customer net revenues were \$14,400 and \$2,626,140, 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 \$509,177 and \$121,129, respectively. Principal and interest paid for the current year and total customer net revenues were \$68,080 and \$2,626,140, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 19. Utility Revenues Pledged (continued)

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 \$230,204 and \$15,099, respectively. Principal and interest paid for the current year and total customer net revenues were \$81,429 and \$943,564, 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 \$738,285 and \$84,909, respectively. Principal and interest paid for the current year and total customer net revenues were \$102,398 and \$943,564, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$130,000 in NMFA/WTB Water Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through June 2029. 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 to be paid on the loan is \$118,903 with no interest due. Principal for the current year and total customer net revenues were \$5,913 and \$2,626,140, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$600,000 in NMFA/WTB Water Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through June 2029. 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 to be paid on the loan is \$548,786 with no interest due. Principal for the current year and total customer net revenues were \$27,288 and \$2,626,140, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2011

NOTE 20. Related Parties

The Town conducted transactions with several entities which are considered related parties. These related party transactions are as follows:

<u>Vendor</u>	<u>Related Party</u>	<u>Amount</u>
DMC Broadcasting	Mayor Darren Cordova	\$ 30,815
Abeyta Engineering	Council member Rudy Abeyta's brother	48,657
In & Out Plumbing	Assistant Town Manager – Abigail Adame's father	2,312
MS Quick Stop	Finance Director – Marietta Fambro's brother	516
Dave's Digital	IT Manager – Reuben Martinez's brother	2,023
Northern NM Job & Drug Screening	CEDD – Matt Sprigg's wife	1,890
Vallecito Courier	Cust. Serv. Mgr. – Debbie Medina-Vigil's husband	654
Toop Toops	Bldg & Grounds Dir. – Manuel Pacheco's sister-in-law	3,046

NOTE 21. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The standard is expected to have no effect on the Town in upcoming years.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Town in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Town will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Town in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Town in upcoming years.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2011

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. Revenues received are 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 was 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.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2011

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, 2011

Debt Service Funds

2009 NMFA PPRF Disadvantage Program- Eco Park

This fund was creation for the purpose of constructing phase I of a multi-phased recreation park. The repayment under the loan agreement solely from the first and second increments of municipal infrastructure gross receipts tax pursuant to section 7-19D-11, NMSA 1978.

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.

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.

NMFA Debt Service Reserve Eco Park

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 Eco Park. 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.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2011

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, 2011

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Government Correction
<i>Assets</i>				
Cash and cash equivalents	\$ 209,313	\$ 22,898	\$ 207,773	\$ 41,401
Investments	377,220	40,000	40,000	-
Receivables:				
Other taxes	-	-	191,214	-
Due from other governments	-	-	-	-
	<u>\$ 586,533</u>	<u>\$ 62,898</u>	<u>\$ 438,987</u>	<u>\$ 41,401</u>
<i>Total assets</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 78,218	\$ 368
Accrued payroll	-	-	2,964	-
Deposits held in trust for others	-	-	-	-
Deferred revenue	-	-	94,665	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>175,847</u>	<u>368</u>
<i>Total liabilities</i>				
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	263,140	-
Public safety	-	-	-	41,033
Culture and recreation	-	62,898	-	-
Public works	-	-	-	-
Fire protection	586,533	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
	<u>586,533</u>	<u>62,898</u>	<u>263,140</u>	<u>41,033</u>
<i>Total fund balances</i>				
<i>Total liabilities and fund balances</i>	<u>\$ 586,533</u>	<u>\$ 62,898</u>	<u>\$ 438,987</u>	<u>\$ 41,401</u>

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
\$ 5,899	\$ 47,330	\$ 1	\$ 6,775	\$ 27,106	\$ -
-	25,000	-	-	25,000	-
-	-	-	-	-	19,130
32,000	-	-	21,362	49,934	-
<u>\$ 37,899</u>	<u>\$ 72,330</u>	<u>\$ 1</u>	<u>\$ 28,137</u>	<u>\$ 102,040</u>	<u>\$ 19,130</u>
\$ 100	\$ 10,784	\$ -	\$ 4,569	\$ 6,015	\$ -
-	4,467	-	4,149	1,082	-
-	5,103	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>100</u>	<u>20,354</u>	<u>-</u>	<u>8,718</u>	<u>7,097</u>	<u>-</u>
-	-	-	-	94,943	-
37,799	-	-	-	-	-
-	51,976	-	-	-	-
-	-	-	-	-	19,130
-	-	-	-	-	-
-	-	1	19,419	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>37,799</u>	<u>51,976</u>	<u>1</u>	<u>19,419</u>	<u>94,943</u>	<u>19,130</u>
<u>\$ 37,899</u>	<u>\$ 72,330</u>	<u>\$ 1</u>	<u>\$ 28,137</u>	<u>\$ 102,040</u>	<u>\$ 19,130</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue		Debt Service	
	1/4 Cent Municipal Gross Receipts Tax	Communications	2009 NMFA PPRF Disadvantage Program- Eco Park	2008 Gross Receipts Tax Revenue Bond Retirement
<i>Assets</i>				
Cash and cash equivalents	\$ 24,539	\$ 91,001	\$ 148	\$ 805
Investments	39,038	150,000	-	-
Receivables:				
Other taxes	160,433	-	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	\$ 224,010	\$ 241,001	\$ 148	\$ 805
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 468	\$ -	\$ -
Accrued payroll	-	8,262	-	-
Deposits held in trust for others	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	8,730	-	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	232,271	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	224,010	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	148	805
Capital projects	-	-	-	-
Committed to:				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	224,010	232,271	148	805
<i>Total liabilities and fund balances</i>	\$ 224,010	\$ 241,001	\$ 148	\$ 805

The accompanying notes are an integral part of these financial statements

Debt Service				Capital Projects		
1999 Gasoline Tax Revenue Bond Retirement	1999 Gasoline Tax Revenue Bond Reserve	NMFA Debt Service Reserve Eco Park	2007 NMFA Land Purchase	Facilities Improvements	Airport Construction	Enhanced 911
\$ 197,584	\$ -	\$ 181,015	\$ 34	\$ 138,647	\$ 19,446	\$ 309
-	195,000	-	-	-	-	25,000
-	-	-	-	-	-	-
-	-	-	-	93,018	-	-
<u>\$ 197,584</u>	<u>\$ 195,000</u>	<u>\$ 181,015</u>	<u>\$ 34</u>	<u>\$ 231,665</u>	<u>\$ 19,446</u>	<u>\$ 25,309</u>
\$ -	\$ -	\$ -	\$ -	\$ 9,951	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	9,951	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
197,584	195,000	-	34	-	-	-
-	-	181,015	-	221,714	19,446	25,309
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>197,584</u>	<u>195,000</u>	<u>181,015</u>	<u>34</u>	<u>221,714</u>	<u>19,446</u>	<u>25,309</u>
<u>\$ 197,584</u>	<u>\$ 195,000</u>	<u>\$ 181,015</u>	<u>\$ 34</u>	<u>\$ 231,665</u>	<u>\$ 19,446</u>	<u>\$ 25,309</u>

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STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2011

Statement A-1
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	<u>Capital Projects</u>			
	Vehicle Replacement	1994 Gross Receipts Tax Revenue Bond Acquisition	1999 Gasoline Tax Acquisition	Total Nonmajor Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 49,287	\$ 24,544	\$ -	\$ 1,295,855
Investments	47,000	530,882	-	1,494,140
Receivables:				
Other taxes	-	-	-	370,777
Due from other governments	-	-	410,224	606,538
<i>Total assets</i>	<u>\$ 96,287</u>	<u>\$ 555,426</u>	<u>\$ 410,224</u>	<u>\$ 3,767,310</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 53,868	\$ 164,341
Accrued payroll	-	-	-	20,924
Deposits held in trust for others	-	-	-	5,103
Deferred revenue	-	-	-	94,665
Due to other funds	-	-	202,953	202,953
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>256,821</u>	<u>487,986</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	-	590,354
Public safety	-	-	-	78,832
Culture and recreation	-	-	-	114,874
Public works	-	-	-	243,140
Fire protection	-	-	-	586,533
Health and welfare	-	-	-	19,420
Debt service expenditures	-	-	-	393,571
Capital projects	96,287	555,426	153,403	1,252,600
Committed to:				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>96,287</u>	<u>555,426</u>	<u>153,403</u>	<u>3,279,324</u>
<i>Total liabilities and fund balances</i>	<u>\$ 96,287</u>	<u>\$ 555,426</u>	<u>\$ 410,224</u>	<u>\$ 3,767,310</u>

The accompanying notes are an integral part of these financial statements

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, 2011

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Governmental Correction
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	2,496	875,346	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	230,458	-	-	-
State capital grants	-	-	-	-
Charges for services	-	37,371	43,216	-
Licenses and fees	-	-	-	30,851
Interest income	-	-	-	-
Miscellaneous	80	642	37,514	-
<i>Total revenues</i>	230,538	40,509	956,076	30,851
<i>Expenditures</i>				
Current				
General government	-	-	803,617	-
Public safety	67,894	-	-	133,203
Public works	-	-	-	-
Culture and recreation	-	22,656	-	-
Health and welfare	-	-	-	-
Capital outlay	11,700	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	79,594	22,656	803,617	133,203
<i>Excess (deficiency) of revenues over expenditures</i>	150,944	17,853	152,459	(102,352)
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	3,568	660,103	121,191
Transfers out	-	-	(840,986)	-
<i>Total other financing sources (uses)</i>	-	3,568	(180,883)	121,191
<i>Net change in fund balances</i>	150,944	21,421	(28,424)	18,839
<i>Fund balances - beginning of year</i>	435,589	41,477	291,564	22,194
<i>Fund balances - end of year</i>	\$ 586,533	\$ 62,898	\$ 263,140	\$ 41,033

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	116,047
-	-	-	-	-	-
-	-	150,000	-	-	-
-	-	-	225	-	-
64,600	-	-	285,578	340,568	-
-	-	-	-	-	-
-	31,098	-	52,423	-	-
-	100	-	-	-	-
-	-	-	-	-	-
-	19	-	545	5	-
<u>64,600</u>	<u>31,217</u>	<u>150,000</u>	<u>338,771</u>	<u>340,573</u>	<u>116,047</u>
-	-	-	-	397,178	-
27,314	-	-	-	-	-
-	-	-	-	-	-
-	421,682	-	-	-	-
-	-	150,000	476,301	-	-
-	-	-	-	1,298	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,314</u>	<u>421,682</u>	<u>150,000</u>	<u>476,301</u>	<u>398,476</u>	<u>-</u>
<u>37,286</u>	<u>(390,465)</u>	<u>-</u>	<u>(137,530)</u>	<u>(57,903)</u>	<u>116,047</u>
-	-	-	710	-	-
-	384,150	-	153,280	15,000	-
-	-	-	-	(72,568)	(105,235)
-	<u>384,150</u>	-	<u>153,990</u>	<u>(57,568)</u>	<u>(105,235)</u>
37,286	(6,315)	-	16,460	(115,471)	10,812
513	58,291	1	2,959	210,414	8,318
<u>\$ 37,799</u>	<u>\$ 51,976</u>	<u>\$ 1</u>	<u>\$ 19,419</u>	<u>\$ 94,943</u>	<u>\$ 19,130</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, 2011

	Special Revenue		Debt Service	
	1/4 Cent Municipal Gross Receipts Tax	Communications	2009 NMFA PPRF Disadvantage Program- Eco Park	2008 Gross Receipts Tax Revenue Bond Retirement
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 975,431	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	302,890	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	975,431	302,890	-	-
<i>Expenditures</i>				
Current				
General government	-	549,379	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	125,436	245,000
Interest	-	-	55,320	246,425
<i>Total expenditures</i>	-	549,379	180,756	491,425
<i>Excess (deficiency) of revenues over expenditures</i>	975,431	(246,489)	(180,756)	(491,425)
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	12,500	286,400	180,831	492,000
Transfers out	(969,462)	-	-	-
<i>Total other financing sources (uses)</i>	(956,962)	286,400	180,831	492,000
<i>Net change in fund balances</i>	18,469	39,911	75	575
<i>Fund balances - beginning of year</i>	205,541	192,360	73	230
<i>Fund balances - end of year</i>	\$ 224,010	\$ 232,271	\$ 148	\$ 805

The accompanying notes are an integral part of these financial statements

Debt Service				Capital Projects		
1999 Gasoline Tax Revenue Bond Retirement	1999 Gasoline Tax Revenue Bond Reserve	NMFA Debt Service Reserve Eco Park	2007 NMFA Land Purchase	Facilities Improvements	Airport Construction	Enhanced 911
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,510	-
-	-	-	-	-	-	-
-	-	-	-	93,018	3,377	-
-	-	-	-	-	-	-
-	1,337	231	-	-	-	-
-	-	-	-	-	-	-
-	<u>1,337</u>	<u>231</u>	<u>-</u>	<u>93,018</u>	<u>14,887</u>	<u>-</u>
500	-	-	1,663	-	-	-
-	-	-	-	-	-	-
-	-	-	-	202,051	17,131	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	83,406	-	-
170,000	-	-	91,860	18,000	-	-
<u>21,200</u>	<u>-</u>	<u>-</u>	<u>20,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>191,700</u>	<u>-</u>	<u>-</u>	<u>113,623</u>	<u>303,457</u>	<u>17,131</u>	<u>-</u>
<u>(191,700)</u>	<u>1,337</u>	<u>231</u>	<u>(113,623)</u>	<u>(210,439)</u>	<u>(2,244)</u>	<u>-</u>
-	-	-	-	-	-	-
319,858	-	180,784	92,000	295,000	3,000	-
-	(1,837)	-	-	(621,104)	-	-
<u>319,858</u>	<u>(1,837)</u>	<u>180,784</u>	<u>92,000</u>	<u>(326,104)</u>	<u>3,000</u>	<u>-</u>
128,158	(500)	181,015	(21,623)	(536,543)	756	-
<u>69,426</u>	<u>195,500</u>	<u>-</u>	<u>21,657</u>	<u>758,257</u>	<u>18,690</u>	<u>25,309</u>
<u>\$ 197,584</u>	<u>\$ 195,000</u>	<u>\$ 181,015</u>	<u>\$ 34</u>	<u>\$ 221,714</u>	<u>\$ 19,446</u>	<u>\$ 25,309</u>

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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, 2011

Statement A-2

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	Capital Projects			Total Nonmajor Governmental Funds
	Vehicle Replacement	1994 Gross Receipts Tax Revenue Bond Acquisition	1999 Gasoline Tax Acquisition	
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ 975,431
Gasoline and motor vehicle taxes	-	-	-	116,047
Other	-	-	-	877,842
Intergovernmental income				
Federal operating grants	-	-	-	150,000
Federal capital grants	-	-	-	11,735
State operating grants	-	-	-	921,204
State capital grants	-	-	1,114,870	1,211,265
Charges for services	-	-	-	466,998
Licenses and fees	-	-	-	30,951
Interest income	-	1,450	153	3,171
Miscellaneous	-	-	-	38,805
<i>Total revenues</i>	<u>-</u>	<u>1,450</u>	<u>1,115,023</u>	<u>4,803,449</u>
<i>Expenditures</i>				
Current				
General government	5,171	-	-	1,757,508
Public safety	-	-	-	228,411
Public works	-	102,346	-	321,528
Culture and recreation	-	-	-	444,338
Health and welfare	-	-	-	626,301
Capital outlay	6,505	-	1,650,189	1,753,098
Debt service				
Principal	-	-	-	650,296
Interest	-	-	-	343,045
<i>Total expenditures</i>	<u>11,676</u>	<u>102,346</u>	<u>1,650,189</u>	<u>6,124,525</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,676)</u>	<u>(100,896)</u>	<u>(535,166)</u>	<u>(1,321,076)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	-	-	-	710
Transfers in	-	-	479,691	3,679,356
Transfers out	-	-	-	(2,611,192)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>479,691</u>	<u>1,068,874</u>
<i>Net change in fund balances</i>	(11,676)	(100,896)	(55,475)	(252,202)
<i>Fund balances - beginning of year</i>	<u>107,963</u>	<u>656,322</u>	<u>208,878</u>	<u>3,531,526</u>
<i>Fund balances - end of year</i>	<u>\$ 96,287</u>	<u>\$ 555,426</u>	<u>\$ 153,403</u>	<u>\$ 3,279,324</u>

The accompanying notes are an integral part of these financial statements

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, 2011

	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	218,836	270,458	230,458	(40,000)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	80	80
<i>Total revenues</i>	<u>218,836</u>	<u>270,458</u>	<u>230,538</u>	<u>(39,920)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	604,425	644,347	67,894	576,453
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	50,000	61,700	11,700	50,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>654,425</u>	<u>706,047</u>	<u>79,594</u>	<u>626,453</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(435,589)</u>	<u>(435,589)</u>	<u>150,944</u>	<u>586,533</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	435,589	435,589	-	(435,589)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>435,589</u>	<u>435,589</u>	<u>-</u>	<u>(435,589)</u>
<i>Net change in fund balance</i>	-	-	150,944	150,944
<i>Fund balance - beginning of year</i>	-	-	435,589	435,589
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,533</u>	<u>\$ 586,533</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, 2011

	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	-	-	2,496	2,496
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	12,179	12,179	37,371	25,192
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	642	642
<i>Total revenues</i>	<u>12,179</u>	<u>12,179</u>	<u>40,509</u>	<u>28,330</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	44,521	43,201	22,656	20,545
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>44,521</u>	<u>43,201</u>	<u>22,656</u>	<u>20,545</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,342)</u>	<u>(31,022)</u>	<u>17,853</u>	<u>48,875</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	32,342	27,454	-	(27,454)
Transfers in	-	3,568	3,568	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>32,342</u>	<u>31,022</u>	<u>3,568</u>	<u>(27,454)</u>
<i>Net change in fund balance</i>	-	-	21,421	21,421
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>41,477</u>	<u>41,477</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,898</u>	<u>\$ 62,898</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, 2011

	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	823,000	926,695	875,346	(51,349)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	29,800	45,228	43,216	(2,012)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	28,000	37,686	37,514	(172)
<i>Total revenues</i>	<u>880,800</u>	<u>1,009,609</u>	<u>956,076</u>	<u>(53,533)</u>
<i>Expenditures</i>				
Current				
General government	783,475	865,135	803,617	61,518
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>783,475</u>	<u>865,135</u>	<u>803,617</u>	<u>61,518</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>97,325</u>	<u>144,474</u>	<u>152,459</u>	<u>7,985</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	118,330	36,409	-	(36,409)
Transfers in	557,103	660,103	660,103	-
Transfers out	(772,758)	(840,986)	(840,986)	-
<i>Total other financing sources (uses)</i>	<u>(97,325)</u>	<u>(144,474)</u>	<u>(180,883)</u>	<u>(36,409)</u>
<i>Net change in fund balance</i>	-	-	(28,424)	(28,424)
<i>Fund balance - beginning of year</i>	-	-	291,564	291,564
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,140</u>	<u>\$ 263,140</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, 2011

	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	52,140	52,140	30,851	(21,289)
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>52,140</u>	<u>52,140</u>	<u>30,851</u>	<u>(21,289)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	98,734	148,734	133,203	15,531
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>98,734</u>	<u>148,734</u>	<u>133,203</u>	<u>15,531</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(46,594)</u>	<u>(96,594)</u>	<u>(102,352)</u>	<u>(5,758)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,594	(24,597)	-	24,597
Transfers in	45,000	121,191	121,191	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>46,594</u>	<u>96,594</u>	<u>121,191</u>	<u>24,597</u>
<i>Net change in fund balance</i>	-	-	18,839	18,839
<i>Fund balance - beginning of year</i>	-	-	22,194	22,194
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,033</u>	<u>\$ 41,033</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, 2011

	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	32,600	32,600	64,600	32,000
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>32,600</u>	<u>32,600</u>	<u>64,600</u>	<u>32,000</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	32,600	32,600	27,314	5,286
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,600</u>	<u>32,600</u>	<u>27,314</u>	<u>5,286</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>37,286</u>	<u>37,286</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in 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>	-	-	37,286	37,286
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>513</u>	<u>513</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,799</u>	<u>\$ 37,799</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, 2011

	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	47,200	23,364	31,098	7,734
Licenses and fees	200	200	100	(100)
Interest income	-	-	-	-
Miscellaneous	200	200	19	(181)
<i>Total revenues</i>	<u>47,600</u>	<u>23,764</u>	<u>31,217</u>	<u>7,453</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	470,659	449,390	421,682	27,708
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>470,659</u>	<u>449,390</u>	<u>421,682</u>	<u>27,708</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(423,059)</u>	<u>(425,626)</u>	<u>(390,465)</u>	<u>35,161</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	38,909	41,476	-	(41,476)
Transfers in	384,150	384,150	384,150	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>423,059</u>	<u>425,626</u>	<u>384,150</u>	<u>(41,476)</u>
<i>Net change in fund balance</i>	-	-	(6,315)	(6,315)
<i>Fund balance - beginning of year</i>	-	-	58,291	58,291
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,976</u>	<u>\$ 51,976</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, 2011

	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	150,000	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>150,000</u>	<u>150,000</u>	<u>150,000</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 (budgeted increase in 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>1</u>	<u>1</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</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, 2011

	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	-	225	225	-
State operating grants	283,377	288,639	285,578	(3,061)
State capital grants	-	-	-	-
Charges for services	55,000	52,422	52,423	1
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	545	545	-
<i>Total revenues</i>	<u>338,377</u>	<u>341,831</u>	<u>338,771</u>	<u>(3,060)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	468,528	477,420	476,301	1,119
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>468,528</u>	<u>477,420</u>	<u>476,301</u>	<u>1,119</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(130,151)</u>	<u>(135,589)</u>	<u>(137,530)</u>	<u>(1,941)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(18,401)	(18,401)	-	18,401
Transfers in	148,552	153,280	153,280	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	710	710	-
<i>Total other financing sources (uses)</i>	<u>130,151</u>	<u>135,589</u>	<u>153,990</u>	<u>18,401</u>
<i>Net change in fund balance</i>	-	-	16,460	16,460
<i>Fund balance - beginning of year</i>	-	-	2,959	2,959
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,419</u>	<u>\$ 19,419</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, 2011

	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	493,979	532,387	340,568	(191,819)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	5	5
<i>Total revenues</i>	<u>493,979</u>	<u>532,387</u>	<u>340,573</u>	<u>(191,814)</u>
<i>Expenditures</i>				
Current				
General government	591,060	641,925	397,178	244,747
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	43,275	42,250	1,298	40,952
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>634,335</u>	<u>684,175</u>	<u>398,476</u>	<u>285,699</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(140,356)</u>	<u>(151,788)</u>	<u>(57,903)</u>	<u>93,885</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	209,356	209,356	-	(209,356)
Transfers in	-	15,000	15,000	-
Transfers out	(69,000)	(72,568)	(72,568)	-
<i>Total other financing sources (uses)</i>	<u>140,356</u>	<u>151,788</u>	<u>(57,568)</u>	<u>(209,356)</u>
<i>Net change in fund balance</i>	-	-	(115,471)	(115,471)
<i>Fund balance - beginning of year</i>	-	-	210,414	210,414
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,943</u>	<u>\$ 94,943</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2011

	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	88,605	105,235	116,047	10,812
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>88,605</u>	<u>105,235</u>	<u>116,047</u>	<u>10,812</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>88,605</u>	<u>105,235</u>	<u>116,047</u>	<u>10,812</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(88,605)	(105,235)	(105,235)	-
<i>Total other financing sources (uses)</i>	<u>(88,605)</u>	<u>(105,235)</u>	<u>(105,235)</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	10,812	10,812
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>8,318</u>	<u>8,318</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,130</u>	<u>\$ 19,130</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 11

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, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	916,259	981,501	975,431	(6,070)
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>916,259</u>	<u>981,501</u>	<u>975,431</u>	<u>(6,070)</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>916,259</u>	<u>981,501</u>	<u>975,431</u>	<u>(6,070)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	39,038	27,578	-	(27,578)
Transfers in	12,500	12,500	12,500	-
Transfers out	(967,797)	(1,021,579)	(969,462)	52,117
<i>Total other financing sources (uses)</i>	<u>(916,259)</u>	<u>(981,501)</u>	<u>(956,962)</u>	<u>24,539</u>
<i>Net change in fund balance</i>	-	-	18,469	18,469
<i>Fund balance - beginning of year</i>	-	-	205,541	205,541
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,010</u>	<u>\$ 224,010</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, 2011

	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	-	-	-	-
State capital grants	-	-	-	-
Charges for services	324,790	324,790	302,890	(21,900)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	10,800	10,800	-	(10,800)
<i>Total revenues</i>	<u>335,590</u>	<u>335,590</u>	<u>302,890</u>	<u>(32,700)</u>
<i>Expenditures</i>				
Current				
General government	594,780	594,780	549,379	45,401
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>594,780</u>	<u>594,780</u>	<u>549,379</u>	<u>45,401</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(259,190)</u>	<u>(259,190)</u>	<u>(246,489)</u>	<u>12,701</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(13,406)	(27,210)	-	27,210
Transfers in	272,596	286,400	286,400	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>259,190</u>	<u>259,190</u>	<u>286,400</u>	<u>27,210</u>
<i>Net change in fund balance</i>	-	-	39,911	39,911
<i>Fund balance - beginning of year</i>	-	-	192,360	192,360
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,271</u>	<u>\$ 232,271</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Taos

2009 NMFA PPRF Disadvantage Program- Eco Park Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	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	125,436	125,436	125,436	-
Interest	55,320	55,320	55,320	-
<i>Total expenditures</i>	<u>180,756</u>	<u>180,756</u>	<u>180,756</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(180,756)</u>	<u>(180,756)</u>	<u>(180,756)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	56	56	-	(56)
Transfers in	180,700	180,700	180,831	131
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>180,756</u>	<u>180,756</u>	<u>180,831</u>	<u>75</u>
<i>Net change in fund balance</i>	-	-	75	75
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>73</u>	<u>73</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148</u>	<u>\$ 148</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, 2011

	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	-	-	-	-
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	245,000	245,000	245,000	-
Interest	246,425	246,425	246,425	-
<i>Total expenditures</i>	<u>491,425</u>	<u>491,425</u>	<u>491,425</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(491,425)</u>	<u>(491,425)</u>	<u>(491,425)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(575)	(575)	-	575
Transfers in	492,000	492,000	492,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>491,425</u>	<u>491,425</u>	<u>492,000</u>	<u>575</u>
<i>Net change in fund balance</i>	-	-	575	575
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>230</u>	<u>230</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 805</u>	<u>\$ 805</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, 2011

	Budgeted Amounts		Actual	Variations
	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	-	-	-	-
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	170,000	170,000	170,000	-
Interest	25,153	25,153	21,200	3,953
<i>Total expenditures</i>	<u>195,903</u>	<u>195,903</u>	<u>191,700</u>	<u>4,203</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(195,903)</u>	<u>(195,903)</u>	<u>(191,700)</u>	<u>4,203</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(52,702)	(123,955)	-	123,955
Transfers in	248,605	319,858	319,858	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>195,903</u>	<u>195,903</u>	<u>319,858</u>	<u>123,955</u>
<i>Net change in fund balance</i>	-	-	128,158	128,158
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>69,426</u>	<u>69,426</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,584</u>	<u>\$ 197,584</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2011

	Budgeted Amounts		Actual	Variations
	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	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	1,600	1,837	1,337	(500)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,600</u>	<u>1,837</u>	<u>1,337</u>	<u>(500)</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>1,600</u>	<u>1,837</u>	<u>1,337</u>	<u>(500)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,600)	(1,837)	(1,837)	-
<i>Total other financing sources (uses)</i>	<u>(1,600)</u>	<u>(1,837)</u>	<u>(1,837)</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(500)	(500)
<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>\$ 195,000</u>	<u>\$ 195,000</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 17

Town of Taos

NMFA Debt Service Reserve Eco Park

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variences
	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	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	209	231	22
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>209</u>	<u>231</u>	<u>22</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>209</u>	<u>231</u>	<u>22</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(180,965)	-	180,965
Transfers in	-	180,756	180,784	28
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(209)</u>	<u>180,784</u>	<u>180,993</u>
<i>Net change in fund balance</i>	-	-	181,015	181,015
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,015</u>	<u>\$ 181,015</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, 2011

	Budgeted Amounts		Actual	Variations
	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	-	-	-	-
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	1,761	1,761	1,663	98
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	91,860	91,860	91,860	-
Interest	20,100	20,100	20,100	-
<i>Total expenditures</i>	<u>113,721</u>	<u>113,721</u>	<u>113,623</u>	<u>98</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(113,721)</u>	<u>(113,721)</u>	<u>(113,623)</u>	<u>98</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(279)	(279)	-	279
Transfers in	114,000	114,000	92,000	(22,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>113,721</u>	<u>113,721</u>	<u>92,000</u>	<u>(21,721)</u>
<i>Net change in fund balance</i>	-	-	(21,623)	(21,623)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>21,657</u>	<u>21,657</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 34</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2011

	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	-	100,000	93,018	(6,982)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>100,000</u>	<u>93,018</u>	<u>(6,982)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	323,793	363,426	202,051	161,375
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	84,987	141,250	83,406	57,844
Debt service				
Principal	18,000	18,000	18,000	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>426,780</u>	<u>522,676</u>	<u>303,457</u>	<u>219,219</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(426,780)</u>	<u>(422,676)</u>	<u>(210,439)</u>	<u>212,237</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	131,780	748,780	-	(748,780)
Transfers in	295,000	295,000	295,000	-
Transfers out	-	(621,104)	(621,104)	-
<i>Total other financing sources (uses)</i>	<u>426,780</u>	<u>422,676</u>	<u>(326,104)</u>	<u>(748,780)</u>
<i>Net change in fund balance</i>	-	-	(536,543)	(536,543)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>758,257</u>	<u>758,257</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,714</u>	<u>\$ 221,714</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 20

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, 2011

	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	662,522	662,522	11,510	(651,012)
State operating grants	-	-	-	-
State capital grants	15,927	20,424	3,377	(17,047)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>678,449</u>	<u>682,946</u>	<u>14,887</u>	<u>(668,059)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	544,161	549,158	17,131	532,027
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	153,830	153,830	-	153,830
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>697,991</u>	<u>702,988</u>	<u>17,131</u>	<u>685,857</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(19,542)</u>	<u>(20,042)</u>	<u>(2,244)</u>	<u>17,798</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	16,542	17,042	-	(17,042)
Transfers in	3,000	3,000	3,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>19,542</u>	<u>20,042</u>	<u>3,000</u>	<u>(17,042)</u>
<i>Net change in fund balance</i>	-	-	756	756
<i>Fund balance - beginning of year</i>	-	-	18,690	18,690
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,446</u>	<u>\$ 19,446</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 21

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, 2011

	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 (budgeted increase in 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- 22

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, 2011

	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	-	7,990	5,171	2,819
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	14,495	6,505	6,505	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,495</u>	<u>14,495</u>	<u>11,676</u>	<u>2,819</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,495)</u>	<u>(14,495)</u>	<u>(11,676)</u>	<u>2,819</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	14,495	14,495	-	(14,495)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,495</u>	<u>14,495</u>	<u>-</u>	<u>(14,495)</u>
<i>Net change in fund balance</i>	-	-	(11,676)	(11,676)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>107,963</u>	<u>107,963</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,287</u>	<u>\$ 96,287</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2011

	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	15,000	15,000	-	(15,000)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	2,000	2,000	1,450	(550)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>17,000</u>	<u>17,000</u>	<u>1,450</u>	<u>(15,550)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	157,407	157,407	102,346	55,061
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	129,109	129,109	-	129,109
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>286,516</u>	<u>286,516</u>	<u>102,346</u>	<u>184,170</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(269,516)</u>	<u>(269,516)</u>	<u>(100,896)</u>	<u>168,620</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	269,516	269,516	-	(269,516)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>269,516</u>	<u>269,516</u>	<u>-</u>	<u>(269,516)</u>
<i>Net change in fund balance</i>	-	-	(100,896)	(100,896)
<i>Fund balance - beginning of year</i>	-	-	656,322	656,322
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,426</u>	<u>\$ 555,426</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 24

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, 2011

	Budgeted Amounts		Actual	Variations
	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	-	-	-	-
State capital grants	1,674,794	1,850,884	1,114,870	(736,014)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	2,000	2,000	153	(1,847)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,676,794</u>	<u>1,852,884</u>	<u>1,115,023</u>	<u>(737,861)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,401,560	2,653,341	1,650,189	1,003,152
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,401,560</u>	<u>2,653,341</u>	<u>1,650,189</u>	<u>1,003,152</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(724,766)</u>	<u>(800,457)</u>	<u>(535,166)</u>	<u>265,291</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	320,766	320,766	-	(320,766)
Transfers in	404,000	479,691	479,691	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>724,766</u>	<u>800,457</u>	<u>479,691</u>	<u>(320,766)</u>
<i>Net change in fund balance</i>	-	-	(55,475)	(55,475)
<i>Fund balance - beginning of year</i>	-	-	208,878	208,878
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,403</u>	<u>\$ 153,403</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B- 25

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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	687,196	718,705	731,573	12,868
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	585,252	585,252	505,340	(79,912)
State operating grants	-	-	-	-
State capital grants	502,114	602,114	148,580	(453,534)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	1,419	1,419
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,774,562</u>	<u>1,906,071</u>	<u>1,386,912</u>	<u>(519,159)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	125,490	157,250	137,335	19,915
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	3,593,494	3,675,438	2,603,691	1,071,747
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,718,984</u>	<u>3,832,688</u>	<u>2,741,026</u>	<u>1,091,662</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,944,422)</u>	<u>(1,926,617)</u>	<u>(1,354,114)</u>	<u>572,503</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	707,850	707,850	-	(707,850)
Transfers in	434,000	438,104	438,104	-
Transfers out	(727,371)	(749,280)	(960,312)	(211,032)
Proceeds from issuance of bonds	1,529,943	1,529,943	-	(1,529,943)
<i>Total other financing sources (uses)</i>	<u>1,944,422</u>	<u>1,926,617</u>	<u>(522,208)</u>	<u>(2,448,825)</u>
<i>Net change in fund balance</i>	-	-	(1,876,322)	(1,876,322)
<i>Fund balance - beginning of year</i>	-	-	2,602,308	2,602,308
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,986</u>	<u>\$ 725,986</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-26

Town of Taos

Water and Sewer Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,185,503	\$ 2,480,426	\$ 2,626,140	\$ 145,714
<i>Total operating revenues</i>	<u>2,185,503</u>	<u>2,480,426</u>	<u>2,626,140</u>	<u>145,714</u>
<i>Operating expenses</i>				
Personnel services	657,718	673,613	671,928	1,685
Contractual services	1,041,355	1,054,973	819,012	235,961
Supplies	191,195	200,314	182,526	17,788
Maintenance and materials	88,200	104,218	95,989	8,229
Utilities	335,450	319,921	277,296	42,625
Equipment	11,163,754	10,389,068	16,501	10,372,567
Depreciation	-	-	1,036,555	(1,036,555)
Miscellaneous	159,951	160,830	32,263	128,567
<i>Total operating expenses</i>	<u>13,637,623</u>	<u>12,902,937</u>	<u>3,132,070</u>	<u>9,770,867</u>
<i>Operating income (loss)</i>	<u>(11,452,120)</u>	<u>(10,422,511)</u>	<u>(505,930)</u>	<u>9,916,581</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	458,184	490,751	479,064	(11,687)
Interest expense	(150,518)	(150,708)	(144,418)	6,290
Interest income	28,530	28,530	7,619	(20,911)
Gain on disposal of capital assets	-	18,401	18,401	-
Miscellaneous income	557,483	557,495	5,934	(551,561)
<i>Total non-operating revenues (expenses)</i>	<u>893,679</u>	<u>944,469</u>	<u>366,600</u>	<u>(577,869)</u>
Transfers	2,954,934	2,964,934	-	(2,964,934)
State and federal capital grants	9,769,052	8,573,260	5,972,077	(2,601,183)
<i>Change in net assets</i>	<u>\$ 2,165,545</u>	<u>\$ 2,060,152</u>	<u>5,832,747</u>	<u>\$ 3,772,595</u>
<i>Total net assets, beginning of year</i>			<u>17,190,079</u>	
<i>Total net assets, end of year</i>			<u>\$ 23,022,826</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-27

Town of Taos

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 1,176,407	\$ 1,176,407	\$ 1,290,935	\$ 114,528
<i>Total operating revenues</i>	<u>1,176,407</u>	<u>1,176,407</u>	<u>1,290,935</u>	<u>114,528</u>
<i>Operating expenses</i>				
Personnel services	88,010	95,096	83,554	11,542
Contractual services	759,642	766,072	669,150	96,922
Supplies	3,922	15,216	15,213	3
Maintenance and materials	17,350	19,014	18,745	269
Utilities	266,020	266,698	239,592	27,106
Equipment	247,044	219,959	-	219,959
Depreciation	-	-	11,584	(11,584)
Miscellaneous	1,475	1,408	1,307	101
<i>Total operating expenses</i>	<u>1,383,463</u>	<u>1,383,463</u>	<u>1,039,145</u>	<u>344,318</u>
<i>Operating income (loss)</i>	<u>(207,056)</u>	<u>(207,056)</u>	<u>251,790</u>	<u>458,846</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Government contributions	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	15,286	15,286	14,966	(320)
<i>Total non-operating revenues (expenses)</i>	<u>15,286</u>	<u>15,286</u>	<u>14,966</u>	<u>(320)</u>
Transfers	-	-	-	-
State and federal capital grants	-	-	-	-
<i>Change in net assets</i>	<u>\$ (191,770)</u>	<u>\$ (191,770)</u>	<u>266,756</u>	<u>\$ 458,526</u>
<i>Total net assets, beginning of year</i>			<u>1,112,553</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,379,309</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

Town of Taos

Taos Regional Landfill Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 1,226,524	\$ 1,226,524	\$ 943,564	\$ (282,960)
<i>Total operating revenues</i>	<u>1,226,524</u>	<u>1,226,524</u>	<u>943,564</u>	<u>(282,960)</u>
<i>Operating expenses</i>				
Personnel services	343,494	344,771	339,493	5,278
Contractual services	302,808	329,724	1,574,478	(1,244,754)
Supplies	4,025	6,013	5,480	533
Maintenance and materials	117,221	117,221	112,401	4,820
Utilities	8,123	8,123	6,488	1,635
Equipment	648,974	648,974	-	648,974
Depreciation	-	-	188,554	(188,554)
Miscellaneous	165,885	166,185	1,777	164,408
<i>Total operating expenses</i>	<u>1,590,530</u>	<u>1,621,011</u>	<u>2,228,671</u>	<u>(607,660)</u>
<i>Operating income (loss)</i>	<u>(364,006)</u>	<u>(394,487)</u>	<u>(1,285,107)</u>	<u>(890,620)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	(31,018)	(31,018)	(31,195)	(177)
Interest income	5,000	5,000	1,554	(3,446)
Gain on disposal of capital assets	-	-	4,000	4,000
Miscellaneous income	-	-	6,045	6,045
<i>Total non-operating revenues (expenses)</i>	<u>(26,018)</u>	<u>(26,018)</u>	<u>(19,596)</u>	<u>6,422</u>
State and federal capital grants	366,073	366,073	-	(366,073)
Transfers	-	-	-	-
<i>Change in net assets</i>	<u>\$ (23,951)</u>	<u>\$ (54,432)</u>	<u>(1,304,703)</u>	<u>\$ (1,250,271)</u>
<i>Total net assets, beginning of year</i>			<u>3,234,284</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,929,581</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Town of Taos
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2011

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
First Community Bank					
Clearing Account	Checking	\$ 950,601	\$ 146,567	\$1,096,937	\$ 231
Judicial Bond Fund Municipal Court	Checking	1,913	-	329	1,584
Utility Construction Fund	Checking	39,530	-	-	39,530
Water & Sewer System Income Fund	Checking	3,125,232	49,875	455	3,174,652
Certificate of Deposit - Investment	CD	170,500	-	-	170,500
Certificate of Deposit - Investment	CD	195,000	-	-	195,000
Total First Community Bank		<u>4,482,776</u>	<u>196,442</u>	<u>1,097,721</u>	<u>3,581,497</u>
Centinel Bank					
General Fund	Checking	2,035,640	7,211	317,330	1,725,521
Water/Wastewater Improvement Fund	Checking	147,667	-	8,817	138,850
Payroll Clearing	Checking	58,200	-	58,200	-
1994 GRT Revenue Bond Acquisition Fund	Checking	44,978	-	20,434	24,544
HUD Account - Domestic Violence Shelter	Checking	997	-	-	997
ACH Transfer Account	Checking	69,564	-	69,464	100
Total Centinel Bank		<u>2,357,046</u>	<u>7,211</u>	<u>474,245</u>	<u>1,890,012</u>
Bank of New York Mellon - Investments					
2001A Water & Sewer Revenue Bond Retirement	U.S. Treasury Mutual Fund	61,738	-	-	61,738
2004 Taos Regional Landfill Revenue Bond Reserve	U.S. Treasury Mutual Fund	137,289	-	-	137,289
2008A Taos Regional Landfill Debt Service	U.S. Treasury Mutual Fund	100,015	-	-	100,015
2004 Taos Regional Landfill Acquisition	U.S. Treasury Mutual Fund	91,017	-	-	91,017
Total Bank of Albuquerque		<u>390,059</u>	<u>-</u>	<u>-</u>	<u>390,059</u>
New Mexico Finance Authority - Investments					
2007 NMFA Land Purchase	State Treasurer Debt Service	24	-	-	24
2004 Taos Regional Landfill Revenue Bond Reserve	State Treasurer Debt Service	163	-	-	163
2008A Taos Regional Landfill Debt Service	State Treasurer Debt Service	351	-	-	351
2010 Phase II Wastewater Treatment Plant Rehab	State Treasurer Debt Service	266	-	-	266
2010 Phase I Multi-phased Rec. Park	State Treasurer Debt Service	180,784	-	-	180,784
Total New Mexico Finance Authority		<u>181,588</u>	<u>-</u>	<u>-</u>	<u>181,588</u>
Total		<u>\$7,411,469</u>	<u>\$ 203,653</u>	<u>\$1,571,966</u>	6,043,156
New Mexico State Treasurer Local Government Investment Pool					4,678,069
Add: petty cash					1,000
Total deposits and investments					<u>\$10,722,225</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 4,227,862
Investments - Exhibit A-1					4,981,069
Restricted cash and cash equivalents - Exhibit A-1					1,440,212
Fiduciary funds cash and cash equivalents and investments - Exhibit E-1					73,082
Total deposits and investments					<u>\$10,722,225</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO

Schedule II

Town of Taos

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2011

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2011	Location of Safekeeper
First Community Bank					
	MBS GNMA II	11/20/2038	36202EXM6	\$ 86,498	Federal Home Loan Bank, Dallas, TX
	MBS GNMA I	9/15/2018	36225BZQ4	244,056	Federal Home Loan Bank, Dallas, TX
	GNR 2009-67 PA	11/20/2036	38373AQK5	691,514	Federal Home Loan Bank, Dallas, TX
	GNR 2009-67 LA	12/16/2036	38373AYM2	195,928	Federal Home Loan Bank, Dallas, TX
	GNR 2009-84 A	11/16/2020	38374XD77	182,726	Federal Home Loan Bank, Dallas, TX
	GNR 2008-58 PA	6/16/2036	38375DLM8	2,868,075	Federal Home Loan Bank, Dallas, TX
	GNR 2010-23 LC	10/20/2037	38376VL62	44,558	Federal Home Loan Bank, Dallas, TX
				<u>4,313,355</u>	
Centinel Bank					
	FNMA	11/1/2019	31371LXX2	844,527	Independent Bankers Bank, Dallas TX
	FHLB	4/17/2014	31331GTJ8	209,598	Independent Bankers Bank, Dallas TX
	FHLB	4/17/2014	31331GTJ8	157,198	Independent Bankers Bank, Dallas TX
				<u>1,211,323</u>	
Total Pledged Collateral				<u>\$ 5,524,678</u>	

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, 2011

	Balance <u>June 30, 2010</u>	Additions	Deletions	Balance <u>June 30, 2011</u>
<i>Assets</i>				
Cash	\$ 5,494	\$ 26,948	\$ 21,860	\$ 10,582
Investments	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>62,500</u>
Total assets	<u>\$ 67,994</u>	<u>\$ 26,948</u>	<u>\$ 21,860</u>	<u>\$ 73,082</u>
<i>Liabilities</i>				
Deposits payable	\$ 66,730	\$ 7,780	\$ 3,175	\$ 71,335
Due to other entities	<u>1,264</u>	<u>14,656</u>	<u>14,173</u>	<u>1,747</u>
Total liabilities	<u>\$ 67,994</u>	<u>\$ 22,436</u>	<u>\$ 17,348</u>	<u>\$ 73,082</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Joint Powers Agreements
June 30, 2011

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

<u>Period</u>	<u>Cost to Town</u>	<u>Town Contributions</u>	<u>Audit Responsibility</u>
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	None to date	Town of Taos

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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 United States 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 the Town of Taos (“the Town”), New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the Town’s basic financial statements as listed in the table of contents, and have issued our report thereon dated November 29, 2011. We also have audited the financial statements of each of the Town’s nonmajor governmental funds and budgetary comparisons for the proprietary funds, 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, 2011 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 the Town’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2010-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item FS 2011-01.

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

This report is intended solely for the information and use of the audit committee management, others within the organization, Town Council, the Office of the State Auditor, New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 29, 2011

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Town of Taos, New Mexico (“the Town”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended June 30, 2011. The Town’s 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 the Town’s management. Our responsibility is to express an opinion on the Town’s compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town 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 the Town’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on timely basis.

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

This report is intended solely for the information and use of the audit committee management, others within the organization, Town Council, the Office of the State Auditor, New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 29, 2011

STATE OF NEW MEXICO
Town of Taos
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule V
Page 1 of 2

Funding Source/Grantor or Contact Name	CFDA Number	Federal Grant Number	Expenditures
U.S. Department of Justice			
Taos County Juvenile Justice	16.540	11-690-12421	\$ 145,458
Enforcement Assistance	16.580	2005-DD-BX-1109	55,808
Total U.S. Department of Justice			<u>201,266</u>
U.S. Department of Housing & Urban Development Passed Through the State of New Mexico, Department of Finance & Administration			
Community Development Block Grant (1)	14.228	10-C-NR-I-01-G-27	500,000
Community Against Violence	14.235	NM02B601005	150,000
Total U.S. Department of Housing & Urban Development			<u>650,000</u>
U.S. Department of Transportation			
Federal Aviation Administration (FAA)			
Airport Improvements Program - EIS Phase 3A	20.106	3-35-0041-021-2009	11,541
Safe Routes to School	20.205	SRSF-7700(154)	15,000
DOT 06-07 NM 68 Enhancements	20.205	TPE-068-1(61)42	204,346
Federal Transportation Administration (FTA) Federal Assistance-ARRA	20.509	69-8350-0-7-401	507,500
Federal Transportation Administration (FTA)	20.509	NM-03-0041-00	495,015
Total U.S. Department of Transportation			<u>1,233,402</u>
U.S. Environmental Protection Agency Passed Through the State of New Mexico Environment Department			
EPA- Clean Water State Revolving Fund- ARRA (1)	66.458	CWSRF 15	<u>3,525,996</u>
U.S. Department of Energy			
ARRA Conservation Block Grant (1)	81.128	11-690-12422	<u>408,577</u>
Total Federal Financial Assistance			<u>\$ 6,019,241</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, 2011

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 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, except for the proprietary funds. 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.

3. Loan amounts

The Town owed \$54,000 to United States Department of Agriculture and \$225,000 to the Rural Utilities Service as of June 30, 2011.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 6,019,241
Total expenditures funded by other sources	<u>18,936,025</u>
Total expenditures	<u><u>\$ 24,955,266</u></u>

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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? | No |
| 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? | No |
| 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? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
14.228	Community Development Block Grant
81.128	Energy Efficiency and Conservation Block Grant
66.458	EPA- Clean Water State Revolving Fund

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? | No |

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

2007-01	Bank Reconciliations	Resolved
2009-03	Preparation of Financial Statements	Resolved
2010-01	Design Deficiencies in Internal Control over Financial Reporting	Repeated and Modified

Federal Awards Findings

2009-01	Davis-Bacon	Resolved
2010-01	Excluded Parties List	Resolved

Section III – Financial Statement Findings and Questioned Costs

FS 2010-01 Design Deficiencies in Internal Control over Financial Reporting (Material Weakness)

Condition: The Town’s internal control structure is inadequate. The Town does not have a comprehensive documented internal control system over financial information. The Town does not maintain proper oversight or monitoring in regards to the Town’s accounting activities and has not taken the proper measures to monitor and mitigate the risk for fraud, misappropriation of assets, or misstatement of financial statements. During our audit, we noted the following internal control deficiencies:

- Changes to the vendor master file are not periodically reviewed for reasonableness.
- Management does not have internal controls in place to ensure all debt covenants have been reviewed and the Town is in compliance with all requirements of each debt instrument.
- Management and the board of governance have not established practices for the identification of risks affecting the entity as well as appropriate fraud risk assessment and monitoring processes.
- Management and the board of governance does not monitor controls over financial reporting through ongoing monitoring, independent evaluations, and remediation of identified deficiencies.

Criteria: NMAC 6.20.2.11 states:

A. Every Town shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each Town shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

FS 2010-01 Design Deficiencies in Internal Control over Financial Reporting (Material Weakness) (continued)

- (1) Town management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the Town.
- (2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with Town authorization.
- (3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.
- (4) The Town shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.
- (5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, the Town shall establish any other criteria applicable to such statements to maintain accountability for assets.
- (6) The Town shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

C. An internal control structure is required to demonstrate the Town's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

- (1) rights and ownership;
- (2) existence and occurrence;
- (3) valuation and allocations;
- (4) completeness; and,
- (5) presentation and disclosure.

D. The internal control structure shall demonstrate that the Town identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the Town complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through Town correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the Council within a Town to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all Town transactions.

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because certain internal controls have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Cause: The Town has not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect errors or fraud.

Auditors' Recommendations: The Town should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the Town's documented internal control procedures. The Town Council is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Agency's Response: Management agrees with the auditors' recommendations and will prepare a formalized and documented internal control procedures in association with existing practices that are currently followed with the Town's accounting manual and subsequent policies and procedures. The Town is in the process of procuring a CPA consulting firm to review and analyze the internal controls and give recommendations in regards to this finding.

FS 2011-01 Noncompliance of Town Policy (Other Matter)

Condition: During our testwork of travel and per diem it was noted that any travel that exceeds four or more days is required to have Town Manager's signature approving the travel. In addition, during testwork of personal use of vehicles, it was noted that one employee who was allowed a take home vehicle did not have the fringe benefit added to their W-2. According to Town policy police can take home a marked vehicle if they live within 30 miles of the Town Hall, however the above mentioned officer lived outside the 30 mile range.

Criteria: According to Town Travel policy Chapter 3.120 Section .020(C) - Reimbursement Procedures- states if travel exceeds four days, then approval will be required of the Town Manager for any employee. In addition, according to Town Policy 3.124.020 Take Home Use- states Public Law 99-44 allows clearly marked police and fire vehicles to be taken home after duty hours without being considered a working condition fringe benefit subject to IRS regulations. The exception to this rule is that no police vehicle may be taken home if a police officer lives more than 30 miles from the Town Hall.

Effect: Because the internal policy structure is not followed, management and staff are unable to prevent unauthorized travel.

Cause: The Town was unaware the approval by the Town Manager was required for travel exceeding a certain amount of time. In addition, due to the slight mileage overage set forth in the Town policy, the Police Chief verbally approved the police officers take home vehicle without a fringe benefit.

Auditor's Recommendations: We recommend the Town follow all Town Policies set forth by Manager and the Town Council. Any amendments to the policy should be clearly documented and approved.

Agency's Response: Management agrees with the auditors' recommendations and will follow all Town Policies set forth by Manager and the Town Council.

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Schedule VI
Page 5 of 5

FINDINGS – FEDERAL AWARDS

None

STATE OF NEW MEXICO
Town of Taos
Other Disclosures
For the Year Ended June 30, 2011

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 29, 2011. In attendance were the following:

Representing the Town of Taos:

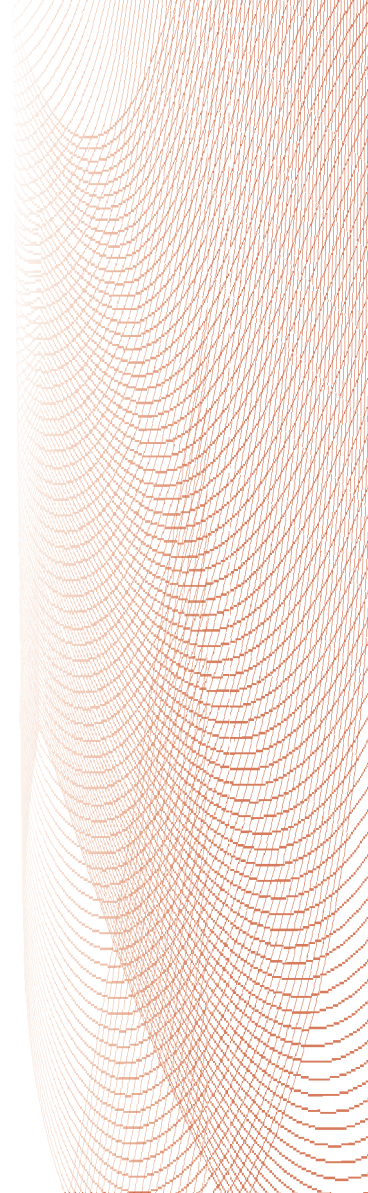
Michael A. Silva	Councilor/Mayor Pro Tem
Abigail Adame	Interim Town Manager
Marietta Fambro	Finance Director

Representing Accounting & Consulting Group, LLP:

Robert Cordova, CPA	Audit Manager
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Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Town of Taos from the original books and records provided to them by the management of the Town. The responsibility for the financial statements remains with the Town.



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