

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
TOWN OF TAOS
ANNUAL FINANCIAL REPORT
JUNE 30, 2012



STATE OF NEW MEXICO
TOWN OF TAOS
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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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, 2012

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
Darren Cordova		Mayor
Michael A. Silva		Councilor
Rudy Abeyta		Councilor
Frederick Peralta		Councilor
Andrew Gonzales		Councilor

Administration

Oscar Rodriguez	Town Manager
Abigail Adame	Assistant Town Manager
Marietta Fambro	Finance Director
Renee Lucero	Town Clerk
Richard Chavez	Municipal Judge
C. Brian James	Town Attorney

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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, 2012, 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 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, 2012 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.

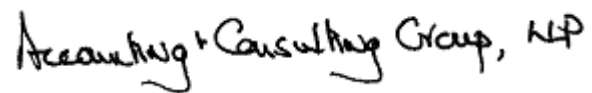
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, 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, 2012, and the respective changes in financial position thereof, and the respective budgetary comparisons of all nonmajor governmental funds and the proprietary 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 27, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 U.S. Office of Management and Budget Circular A-133, *Audit of States, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Accounting & Consulting Group, LLP
Albuquerque, NM
November 27, 2012

State of New Mexico
Town of Taos
Management's Discussion and Analysis
June 30, 2012

We are pleased to present the Town of Taos's financial statements for the fiscal year ended June 30, 2012. Management's discussion and analysis of these statements is also provided to help the reader fully appraise the Town's financial condition.

FINANCIAL HIGHLIGHTS

- The Town of Taos' total assets exceeded its total liabilities at the close of the fiscal year by \$77,523,876 (*net assets*). Of this amount, \$7,028,680 (*unrestricted net assets*) is available to meet the government's ongoing obligations to its citizens and creditors.
- The Town's total net assets decreased by \$748,412 during the fiscal year. The majority of this decrease comes from the assumption of a new loan for street improvements and a decrease in gross receipts taxes and grant revenues.
- As of June 30, 2012, the Town's governmental activities reported combined ending net assets balances of \$49,087,656. Of this total, \$332,099 is designated for debt service and \$1,979,475 is designated for capital projects.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$726,286, amounting to 7 percent of total general fund government expenditures.
- The Town of Taos' total debt increased during the year primarily as the result of the early retirement of the Series 1999 Gasoline Tax Bonds in the amount of \$365,000 and the issuance of new debt in the amount of \$1,694,457. The Town paid \$1,759,300 on the principal of various of its loans, bonds, compensated absences and contracts payable.

Overview of the 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.

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.

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Town of Taos
Management's Discussion and Analysis
June 30, 2012

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-eight 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, which is considered a major fund. 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 projects funds, debt service funds, special revenue funds, 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 recreation 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 36-63 of this report.

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 70-111 of this report.

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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 \$77,523,876 at the close of the current fiscal year.

The most significant portion of the Town of Taos' net assets represents the Town's investment of \$65,470,176 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 its citizens, so 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, 2012

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current and other assets	\$ 7,385,700	\$ 5,248,405	\$ 12,634,105
Restricted cash, cash equivalents & investments	1,856,284	1,233,805	3,090,089
Bond issuance costs and discount	167,647	-	167,647
Capital assets, net of accumulated depreciation	50,385,934	29,788,823	80,174,757
Total assets	<u>59,795,565</u>	<u>36,271,033</u>	<u>96,066,598</u>
<u>Liabilities</u>			
Current Liabilities	\$ 1,562,263	\$ 1,105,861	\$ 2,668,124
Non-current liabilities	9,145,646	6,728,952	15,874,598
Total liabilities	<u>10,707,909</u>	<u>7,834,813</u>	<u>18,542,722</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	40,854,644	24,615,532	65,470,176
Restricted	3,791,215	1,233,805	5,025,020
Unrestricted	<u>4,441,797</u>	<u>2,586,883</u>	<u>7,028,680</u>
Total net assets	<u>\$ 49,087,656</u>	<u>\$ 28,436,220</u>	<u>\$ 77,523,876</u>
Total Liabilities and Net Assets	<u>\$ 59,795,565</u>	<u>\$ 36,271,033</u>	<u>\$ 96,066,598</u>

A portion of the Town of Taos' governmental net assets of \$3,791,215 (7 percent) represents resources that are subject to restrictions related to covenants arising from the Town's long-term debt issuance and capital projects, and other purposes as prescribed by external parties. The remaining balance of unrestricted net assets, \$4,441,797, 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 categories of net assets for both the governmental and business-type activities.

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Analysis of Changes in Net Assets

The Town's net assets decreased by \$748,412 during the fiscal year. This decrease is primarily the result of a decrease in gross receipts taxes and grant revenues during the fiscal year.

For the Year Ended June 30, 2012

<u>Revenues</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for service	\$ 1,123,907	\$ 5,019,377	\$ 6,143,284
Operating grants and contributions	1,015,864	7,898	1,023,762
Capital grants and contributions	551,245	2,452,263	3,003,508
General revenues:			
Property taxes, levied for general purposes	903,273	-	903,273
Gross receipts taxes	9,595,348	379,820	9,975,168
Gasoline and auto distribution taxes	320,327	-	320,327
Other taxes	1,175,509	-	1,175,509
Interest income (loss)	(12,948)	2,372	(10,576)
Miscellaneous income	77,865	25,614	103,479
Loss on disposal of capital assets	(78)	-	(78)
	<u>14,750,312</u>	<u>7,887,344</u>	<u>22,637,656</u>
Program expenses:			
General government	\$ 7,484,623	\$ -	\$ 7,484,623
Public safety	2,955,523	-	2,955,523
Public works	3,815,746	-	3,815,746
Culture and recreation	2,363,078	-	2,363,078
Health and welfare	662,839	-	662,839
Interest on long-term debt	321,419	-	321,419
Joint water and sewer	-	3,626,563	3,626,563
Solid waste	-	1,203,249	1,203,249
Taos Regional Landfill	-	953,028	953,028
Total Expenses	<u>17,603,228</u>	<u>5,782,840</u>	<u>23,386,068</u>
Change in net assets	(2,852,916)	2,104,504	(748,412)
Net assets, beginning	<u>51,940,572</u>	<u>26,331,716</u>	<u>78,272,288</u>
Net assets, ending	<u>\$ 49,087,656</u>	<u>\$ 28,436,220</u>	<u>\$ 77,523,876</u>

Governmental activities. Governmental activities decreased the Town of Taos' net assets by \$2,852,916, primarily as the result of decreases in gross receipts taxes and grant revenue.

Tax revenues account for \$11,994,457 or 81 percent of governmental revenues. Tax revenues are made up of property, gross receipts, gasoline and motor vehicle and other taxes.

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The General fund received the majority of the Town's program revenue, accounting for \$7,484,623 or 51 percent of total governmental revenues. The primary recipients of these revenues are general government, public works and public safety.

The Town's direct charges to users of governmental services made up \$1,123,907, or 8 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 \$2,104,504.

The Town's direct charges to users of business-type services made up \$5,019,377, or 64 percent of total business-type revenues. These charges are for water and sewer services, water and sewer connection fees. These direct charges for service increased by \$158,738 from the previous year due to the second year of a 5-year rate adjustment for water and sewer services.

The Town received the remainder of a \$4.9 million capital grant this year which contributed to the overall increase in net assets by \$2,104,904. This is a substantial decrease from the previous year in the amount of \$2,698,756.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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, *unreserved 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 \$14,750,312 in the fiscal year ended June 30, 2012, which represents a decrease of \$2,301,992 from the fiscal year ended June 30, 2011. This is largely due to the decrease in gross receipts taxes and federal, state operating and capital grants. Expenditures for governmental activities, totaling \$17,603,228, decreased by approximately \$371,761 from the fiscal year ended June 30, 2011. This is largely due to the decrease in expenditures in public safety as the function was short staffed for a major part of the year. In the fiscal year ended June 30, 2012, expenditures for governmental functions exceeded revenues by approximately \$2,852,916.

The General Fund is the chief operating fund of the Town of Taos. It is from here that the Town pays for the public safety and other basic services it provides to its citizens. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$726,286.

The fund balance of the Town of Taos' general fund decreased by \$423,885 during the current fiscal year, due to a decrease in revenue and an increase in expenditures. Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2012 of \$403,638, a decrease of \$944,089 over the comparable figure from the prior year of \$1,347,727.

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 \$2,649,054. The total increase in net assets for the enterprise funds was \$2,104,504. 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.

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Management's Discussion and Analysis
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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. The Town defines its priorities 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, 2012. 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 \$668,357 less than the final budget amount (favorable variance). This was primarily to general governmental favorable variance of \$447,113. The difference between actual expenditures and budgeted expenditures is due to various expenditures that were expected to occur during the year ended June 30, 2012, but did not, along with savings from personnel vacancies.

	Budget Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variance
	Original	Final		
<i>Expenditures:</i>				
General government	\$ 5,248,284	\$ 5,076,607	\$ 4,629,494	\$ 447,113
Public safety	2,948,305	2,843,940	2,671,984	171,956
Public works	1,048,069	1,064,011	1,052,616	11,395
Culture and recreation	1,533,476	1,487,919	1,450,026	37,893
 <i>Total Expenditures</i>	 \$ 10,778,134	 \$ 10,472,477	 \$ 9,804,120	 \$ 668,357

Capital Asset and Debt Administration

Capital assets. The Town of Taos' capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$80,174,757 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and infrastructure. The Town's capital assets for the current fiscal year decreased \$3,094,687 for governmental activities and increased \$1,766,975 for business-type activities.

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

- \$2,308,475 additions to governmental activities reclassifying construction in progress for Eco Park Recreation Facility into service.
- \$1,086,669 of additions to governmental infrastructure and equipment for completion and/or purchase of a Skeeder Brush Truck for the Fire Department, an E-911 Communications Upgrade and the Airport Beacon and Seal Coat projects.
- \$2,222,653 of additions to business-type construction in progress for upgrades to the Wastewater Treatment Plant, which will be fully completed during the fiscal year ended June 30, 2013.
- \$931,355 of additions to business type infrastructure were completion of the Chamisa Phase I Water/Sewer, Dedicated Fill Line, Grit Pump Replacement and Fire Hydrant Replacement projects.

State of New Mexico
Town of Taos
Management's Discussion and Analysis
June 30, 2012

Town of Taos's Capital Assets, Net of Depreciation
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Land	\$ 6,277,809	\$ 262,422	\$ 6,540,231
Constuction in progress	358,224	10,994,117	11,352,341
Land improvements	7,377,460	104,895	7,482,355
Buildings and improvements	33,444,101	4,392,921	37,837,022
Machinery and Equipment	15,237,169	8,740,908	23,978,077
Infrastructure	49,708,256	21,821,050	71,529,306
Total capital assets	<u>112,403,019</u>	<u>46,316,313</u>	<u>158,719,332</u>
Less: accumulated depreciation	<u>(62,017,085)</u>	<u>(16,527,490)</u>	<u>(78,544,575)</u>
Total property, plant and equipment, net of accumulated depreciation	<u>\$ 50,385,934</u>	<u>\$ 29,788,823</u>	<u>\$ 80,174,757</u>

For government-wide financial statement presentation purposes, all depreciable capital assets were depreciated from the 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 \$17,290,667. There was one addition to long term debt during the year in the amount of \$1,694,457 for Street Improvements within the Town limits.

Town of Taos's Outstanding Debt
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Revenue Bonds	\$ 5,510,000	\$ 2,055,600	\$ 7,565,600
NMFA amd RUS Loans	3,985,290	3,117,691	7,102,981
USDA Contract Payable	36,000	-	36,000
Compensated Absences	619,942	68,803	688,745
Landfill Closure Liability	<u>-</u>	<u>1,897,341</u>	<u>1,897,341</u>
Total long-term liabilities	<u>\$ 10,151,232</u>	<u>\$ 7,139,435</u>	<u>\$ 17,290,667</u>

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, 2012

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,896,090	\$ 2,762,105	\$ 4,658,195
Investments	3,127,768	1,634,501	4,762,269
Receivables:			
Property taxes	191,298	-	191,298
Other taxes	1,896,217	-	1,896,217
Due from other governments	267,425	698,440	965,865
Customer receivables, net	-	160,261	160,261
Internal balances	6,902	(6,902)	-
Total current assets	<u>7,385,700</u>	<u>5,248,405</u>	<u>12,634,105</u>
Noncurrent assets			
Restricted cash and cash equivalents	4,494	932,949	937,443
Restricted investments	1,851,790	300,856	2,152,646
Bond issuance costs, net of accumulated amortization of \$49,782	167,647	-	167,647
Capital assets	112,403,019	46,316,313	158,719,332
Less: accumulated depreciation	<u>(62,017,085)</u>	<u>(16,527,490)</u>	<u>(78,544,575)</u>
Total noncurrent assets	<u>52,409,865</u>	<u>31,022,628</u>	<u>83,432,493</u>
Total assets	<u>\$ 59,795,565</u>	<u>\$ 36,271,033</u>	<u>\$ 96,066,598</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 297,088	\$ 368,733	\$ 665,821
Accrued payroll	160,415	20,536	180,951
Deposits held in trust for others	5,103	250,837	255,940
Accrued compensated absences	410,553	55,231	465,784
Accrued interest	40,295	55,272	95,567
Current portion of bonds payable	265,000	46,000	311,000
Current portion of loans and contracts payable	383,809	309,252	693,061
Total current liabilities	<u>1,562,263</u>	<u>1,105,861</u>	<u>2,668,124</u>
Noncurrent liabilities			
Accrued compensated absences	209,389	13,572	222,961
Accrued landfill closure costs	-	1,897,341	1,897,341
Bond premiums, net of accumulated amortization of \$17,066	53,776	-	53,776
Bonds payable	5,245,000	2,009,600	7,254,600
Loans and contracts payable	3,637,481	2,808,439	6,445,920
Total noncurrent liabilities	<u>9,145,646</u>	<u>6,728,952</u>	<u>15,874,598</u>
Total liabilities	<u>10,707,909</u>	<u>7,834,813</u>	<u>18,542,722</u>
Net Assets			
Invested in capital assets, net of related debt	40,854,644	24,615,532	65,470,176
Restricted for:			
Debt service	332,099	1,233,805	1,565,904
Capital projects	1,979,475	-	1,979,475
Special revenue	1,479,641	-	1,479,641
Landfill	-	917,919	917,919
Unrestricted	4,441,797	1,668,964	6,110,761
Total net assets	<u>49,087,656</u>	<u>28,436,220</u>	<u>77,523,876</u>
Total liabilities and net assets	<u>\$ 59,795,565</u>	<u>\$ 36,271,033</u>	<u>\$ 96,066,598</u>

STATE OF NEW MEXICO
Town of Taos
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 7,484,623	\$ 1,040,846	\$ 345,677	\$ -
Public safety	2,955,523	-	225,852	-
Public works	3,815,746	-	-	551,245
Culture and recreation	2,363,078	31,160	-	-
Health and welfare	662,839	51,901	444,335	-
Interest on long-term debt	321,419	-	-	-
<i>Total governmental activities</i>	<u>17,603,228</u>	<u>1,123,907</u>	<u>1,015,864</u>	<u>551,245</u>
Business-type Activities:				
Water and sewer	3,626,563	2,891,725	-	2,452,263
Solid waste	1,203,249	1,230,466	-	-
Taos regional landfill	953,028	897,186	7,898	-
<i>Total business-type activities</i>	<u>5,782,840</u>	<u>5,019,377</u>	<u>7,898</u>	<u>2,452,263</u>
<i>Total primary government</i>	<u>\$ 23,386,068</u>	<u>\$ 6,143,284</u>	<u>\$ 1,023,762</u>	<u>\$ 3,003,508</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

Investment income (loss)

Miscellaneous income

Loss 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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (6,098,100)	\$ -	\$ (6,098,100)
(2,729,671)	-	(2,729,671)
(3,264,501)	-	(3,264,501)
(2,331,918)	-	(2,331,918)
(166,603)	-	(166,603)
(321,419)	-	(321,419)
<u>(14,912,212)</u>	<u>-</u>	<u>(14,912,212)</u>
-	1,717,425	1,717,425
-	27,217	27,217
-	(47,944)	(47,944)
<u>-</u>	<u>1,696,698</u>	<u>1,696,698</u>
(14,912,212)	1,696,698	(13,215,514)
903,273	-	903,273
9,595,348	379,820	9,975,168
320,327	-	320,327
328,067	-	328,067
847,432	-	847,432
10	-	10
(12,948)	2,372	(10,576)
77,865	25,614	103,479
(78)	-	(78)
<u>12,059,296</u>	<u>407,806</u>	<u>12,467,102</u>
(2,852,916)	2,104,504	(748,412)
<u>51,940,572</u>	<u>26,331,716</u>	<u>78,272,288</u>
<u>\$ 49,087,656</u>	<u>\$ 28,436,220</u>	<u>\$ 77,523,876</u>

STATE OF NEW MEXICO

Town of Taos
Balance Sheet
Governmental Funds
June 30, 2012Exhibit B-1
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 542,284	\$ 3,210,090	\$ 3,752,374
Investments	1,377,922	1,749,846	3,127,768
Receivables:			
Property taxes	191,298	-	191,298
Other taxes	1,459,700	436,517	1,896,217
Due from other governments	18,523	248,902	267,425
Due from other funds	6,902	-	6,902
<i>Total assets</i>	<u>\$ 3,596,629</u>	<u>\$ 5,645,355</u>	<u>\$ 9,241,984</u>
<i>Liabilities</i>			
Accounts payable	\$ 131,045	\$ 166,043	\$ 297,088
Accrued payroll	138,167	22,248	160,415
Deposits held in trust for others	-	5,103	5,103
Deferred revenue	179,824	53,777	233,601
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>449,036</u>	<u>247,171</u>	<u>696,207</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
General government	-	490,342	490,342
Public safety	-	20,395	20,395
Culture and recreation	-	246,633	246,633
Public works	-	8,725	8,725
Fire protection	-	599,231	599,231
Health and welfare	-	30,594	30,594
Debt service expenditures	-	498,535	498,535
Capital projects	-	3,503,729	3,503,729
Committed for:			
Minimum fund balance	817,010	-	817,010
Subsequent year's expenditures	1,604,297	-	1,604,297
Unassigned	726,286	-	726,286
<i>Total fund balances</i>	<u>3,147,593</u>	<u>5,398,184</u>	<u>8,545,777</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,596,629</u>	<u>\$ 5,645,355</u>	<u>\$ 9,241,984</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, 2012

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	\$	8,545,777
Bond issuance costs net of accumulated amortization are not a current financial resource and, therefore, are not reported in the funds.		167,647
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		50,385,934
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.		233,601
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(40,295)
Some liabilities, including bonds payable, loans and contracts are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(619,942)
Bond premiums		(53,776)
Bonds payable		(5,510,000)
Loans payable		(3,985,290)
Contracts payable		(36,000)
		(10,105,008)
Total net assets of governmental activities	\$	49,087,656

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, 2012

Exhibit B-2
Page 1 of 2

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>			
Taxes			
Property	\$ 919,735	\$ -	\$ 919,735
Gross receipts	8,031,097	1,564,251	9,595,348
Gasoline and motor vehicle taxes	224,892	95,435	320,327
Other	328,067	888,330	1,216,397
Intergovernmental income			
Federal operating grants	-	150,000	150,000
Federal capital grants	-	515,601	515,601
State operating grants	48,910	816,954	865,864
State capital grants	-	35,644	35,644
Charges for services	380,021	455,137	835,158
Licenses and fees	267,243	21,506	288,749
Investment income (loss)	(8,578)	(4,370)	(12,948)
Miscellaneous	16,371	61,494	77,865
<i>Total revenues</i>	<u>10,207,758</u>	<u>4,599,982</u>	<u>14,807,740</u>
<i>Expenditures</i>			
Current			
General government	4,629,494	961,947	5,591,441
Public safety	2,671,984	243,247	2,915,231
Public works	1,052,616	633,929	1,686,545
Culture and recreation	1,450,026	946,498	2,396,524
Health and welfare	-	637,184	637,184
Capital outlay	-	983,244	983,244
Debt service			
Principal	-	997,853	997,853
Interest	-	325,186	325,186
<i>Total expenditures</i>	<u>9,804,120</u>	<u>5,729,088</u>	<u>15,533,208</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>403,638</u>	<u>(1,129,106)</u>	<u>(725,468)</u>
<i>Other financing sources (uses)</i>			
Proceeds from issuance of debt	-	1,694,457	1,694,457
Transfers in	4,653,215	3,835,426	8,488,641
Transfers out	(5,480,738)	(3,007,903)	(8,488,641)
<i>Total other financing sources (uses)</i>	<u>(827,523)</u>	<u>2,521,980</u>	<u>1,694,457</u>
<i>Net change in fund balances</i>	(423,885)	1,392,874	968,989
<i>Fund balance - beginning of year</i>	<u>3,571,478</u>	<u>4,005,310</u>	<u>7,576,788</u>
<i>Fund balance - end of year</i>	<u>\$ 3,147,593</u>	<u>\$ 5,398,184</u>	<u>\$ 8,545,777</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, 2012

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	\$ 968,989
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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	983,244
Depreciation expense	(4,077,853)

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. (78)

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

Decrease in deferred revenue related to property taxes receivable	(16,462)
Decrease in lodger's tax settlement revenue not received within the period of availability	(40,888)

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	3,767
Decrease in accrued compensated absences	31,225
Amortization of bond premiums	3,864
Proceeds from the issuance of debt	(1,694,457)
Principal payments on bonds payable	620,000
Principal payments on loans payable	359,853
Payments on contracts payable	18,000

Change in net assets of governmental activities	<u><u>\$ (2,852,916)</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, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 854,294	\$ 854,294	\$ 919,735	\$ 65,441
Gross receipts	8,154,705	8,154,705	8,031,097	(123,608)
Gas and motor vehicle	241,897	241,897	224,892	(17,005)
Other	370,650	370,650	328,067	(42,583)
Intergovernmental income				
Federal operating grants	10,000	10,000	-	(10,000)
Federal capital grants	-	-	-	-
State operating grants	35,000	35,000	48,910	13,910
State capital grants	-	-	-	-
Charges for services	350,130	350,130	380,021	29,891
Licenses and fees	256,679	256,679	267,243	10,564
Interest income	8,571	8,571	(8,578)	(17,149)
Miscellaneous	31,871	33,934	16,371	(17,563)
<i>Total revenues</i>	<u>10,313,797</u>	<u>10,315,860</u>	<u>10,207,758</u>	<u>(108,102)</u>
<i>Expenditures</i>				
Current				
General government	5,248,284	5,076,607	4,629,494	447,113
Public safety	2,948,305	2,843,940	2,671,984	171,956
Public works	1,048,069	1,064,011	1,052,616	11,395
Culture and recreation	1,533,476	1,487,919	1,450,026	37,893
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>10,778,134</u>	<u>10,472,477</u>	<u>9,804,120</u>	<u>668,357</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(464,337)</u>	<u>(156,617)</u>	<u>403,638</u>	<u>560,255</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,178,824	1,080,713	-	(1,080,713)
Transfers in	4,724,557	4,719,322	4,653,215	(66,107)
Transfers out	(5,439,044)	(5,643,418)	(5,480,738)	162,680
Proceeds from sale of capital assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>464,337</u>	<u>156,617</u>	<u>(827,523)</u>	<u>(984,140)</u>
<i>Net change in fund balance</i>	-	-	(423,885)	(423,885)
<i>Fund balance - beginning of year</i>	-	-	3,571,478	3,571,478
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,147,593</u>	<u>\$ 3,147,593</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

Town of Taos
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 1,357,625	\$ 783,629	\$ 620,851	\$ 2,762,105
Investments	1,310,001	249,100	75,400	1,634,501
Due from other governments	152,363	-	7,898	160,261
Customer receivables, net	535,166	158,520	4,754	698,440
<i>Total current assets</i>	<u>3,355,155</u>	<u>1,191,249</u>	<u>708,903</u>	<u>5,255,307</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	253,715	-	679,234	932,949
Restricted investments	62,171	-	238,685	300,856
Capital assets	41,323,750	768,668	4,223,895	46,316,313
Less: accumulated depreciation	(14,933,719)	(375,350)	(1,218,421)	(16,527,490)
<i>Total noncurrent assets</i>	<u>26,705,917</u>	<u>393,318</u>	<u>3,923,393</u>	<u>31,022,628</u>
<i>Total assets</i>	<u>\$ 30,061,072</u>	<u>\$ 1,584,567</u>	<u>\$ 4,632,296</u>	<u>\$ 36,277,935</u>
<i>Liabilities and net assets</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 202,355	\$ 136,057	\$ 30,321	\$ 368,733
Accrued payroll	13,780	1,795	4,961	20,536
Meter deposits payable	250,837	-	-	250,837
Accrued compensated absences	36,842	15,987	2,402	55,231
Interfund payable	696	-	6,206	6,902
Accrued interest payable	51,511	-	3,761	55,272
Current portion of bonds payable	46,000	-	-	46,000
Current portion of loans and contracts payable	137,789	-	171,463	309,252
<i>Total current liabilities</i>	<u>739,810</u>	<u>153,839</u>	<u>219,114</u>	<u>1,112,763</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	11,158	2,414	-	13,572
Accrued landfill closure costs	-	-	1,897,341	1,897,341
Bonds payable	2,009,600	-	-	2,009,600
Loans payable	2,178,248	-	630,191	2,808,439
<i>Total noncurrent liabilities</i>	<u>4,199,006</u>	<u>2,414</u>	<u>2,527,532</u>	<u>6,728,952</u>
<i>Total liabilities</i>	<u>4,938,816</u>	<u>156,253</u>	<u>2,746,646</u>	<u>7,841,715</u>
<i>Net assets</i>				
Invested in capital assets, net of related debt	22,018,394	393,318	2,203,820	24,615,532
Restricted for:				
Landfill	-	-	917,919	917,919
Debt service	253,715	-	-	253,715
Unrestricted	2,850,147	1,034,996	(1,236,089)	2,649,054
<i>Total net assets</i>	<u>25,122,256</u>	<u>1,428,314</u>	<u>1,885,650</u>	<u>28,436,220</u>
<i>Total liabilities and net assets</i>	<u>\$ 30,061,072</u>	<u>\$ 1,584,567</u>	<u>\$ 4,632,296</u>	<u>\$ 36,277,935</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, 2012

Exhibit D-2

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Operating revenues</i>				
Charges for services	\$ 2,891,725	\$ 1,230,466	\$ 897,186	\$ 5,019,377
<i>Total operating revenues</i>	2,891,725	1,230,466	897,186	5,019,377
<i>Operating expenses</i>				
Personnel services	711,133	118,688	271,302	1,101,123
Contractual services	1,086,651	759,526	336,701	2,182,878
Supplies	190,678	7,602	3,949	202,229
Repairs and maintenance	69,927	60,966	113,379	244,272
Utilities	329,415	231,322	6,654	567,391
Depreciation	1,076,331	23,643	188,331	1,288,305
Other costs	30,147	1,502	6,265	37,914
<i>Total operating expenses</i>	3,494,282	1,203,249	926,581	5,624,112
<i>Operating income (loss)</i>	(602,557)	27,217	(29,395)	(604,735)
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	379,820	-	-	379,820
Interest expense	(132,281)	-	(26,447)	(158,728)
Interest income	1,205	-	1,167	2,372
Miscellaneous income	980	21,788	2,846	25,614
<i>Total non-operating revenues (expenses)</i>	249,724	21,788	(22,434)	249,078
State and federal capital grants	2,452,263	-	-	2,452,263
State and federal operating grants	-	-	7,898	7,898
Transfers in	3,230,344	-	492,632	3,722,976
Transfers out	(3,230,344)	-	(492,632)	(3,722,976)
<i>Change in net assets</i>	2,099,430	49,005	(43,931)	2,104,504
<i>Net assets, beginning of year</i>	23,022,826	1,379,309	1,929,581	26,331,716
<i>Net assets, end of year</i>	\$ 25,122,256	\$ 1,428,314	\$ 1,885,650	\$ 28,436,220

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, 2012

Exhibit D-3

	Enterprise Funds			Total
	Water and Sewer	Solid Waste	Taos Regional Landfill	
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 3,418,804	\$ 1,275,500	\$ 959,008	\$ 5,653,312
Cash payments to employees for services	(713,503)	(104,863)	(284,401)	(1,102,767)
Cash payments to suppliers for goods and services	(2,212,752)	(1,010,743)	(433,656)	(3,657,151)
<i>Net cash provided by operating activities</i>	<u>492,549</u>	<u>159,894</u>	<u>240,951</u>	<u>893,394</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	379,820	-	-	379,820
Miscellaneous income	980	21,788	2,846	25,614
Payments for noncurrent accrued compensated absences	11,158	2,414	-	13,572
Interfund advances (payments)	(87)	-	(4,650)	(4,737)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>391,871</u>	<u>24,202</u>	<u>(1,804)</u>	<u>414,269</u>
<i>Cash flows from capital and related financing activities</i>				
State and federal capital grants	2,452,263	-	7,898	2,460,161
Interest paid	(141,846)	-	(27,185)	(169,031)
Principal payments on long-term debt	(128,828)	-	(166,835)	(295,663)
Acquisition of capital assets	(2,873,892)	(173,490)	(7,898)	(3,055,280)
<i>Net cash (used) by capital and related financing activities</i>	<u>(692,303)</u>	<u>(173,490)</u>	<u>(194,020)</u>	<u>(1,059,813)</u>
<i>Cash flows from investing activities</i>				
Purchases of investments	438	-	-	438
Interest on investments	1,205	-	1,167	2,372
<i>Net cash provided by investing activities</i>	<u>1,643</u>	<u>-</u>	<u>1,167</u>	<u>2,810</u>
<i>Net increase in cash and cash equivalents</i>	193,760	10,606	46,294	250,660
<i>Cash and cash equivalents - beginning of year</i>	1,479,751	773,023	1,492,476	3,745,250
<i>Cash and cash equivalents - reclassification</i>	(62,171)	-	(238,685)	(300,856)
<i>Cash and cash equivalents - beginning as reclassified</i>	<u>1,417,580</u>	<u>773,023</u>	<u>1,253,791</u>	<u>3,444,394</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,611,340</u>	<u>\$ 783,629</u>	<u>\$ 1,300,085</u>	<u>\$ 3,695,054</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>				
Operating income (loss)	\$ (602,557)	\$ 27,217	\$ (29,395)	\$ (604,735)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,076,331	23,643	188,331	1,288,305
Changes in assets and liabilities				
Receivables	527,079	45,034	61,822	633,935
Accounts payable	(508,736)	50,172	(51,131)	(509,695)
Accrued payroll expenses	4,169	561	1,225	5,955
Current accrued compensated absences	(6,539)	13,267	(14,324)	(7,596)
Meter deposits	2,802	-	-	2,802
<i>Net cash provided by operating activities</i>	<u>\$ 492,549</u>	<u>\$ 159,894</u>	<u>\$ 240,951</u>	<u>\$ 893,394</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit E-1

Town of Taos
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

<i>Assets</i>	
Cash	\$ 7,734
Investments	<u>60,000</u>
Total assets	<u>\$ 67,734</u>
<i>Liabilities</i>	
Deposits payable	\$ 67,177
Due to other entities	<u>557</u>
Total liabilities	<u>\$ 67,734</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, 2012

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, 2012

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, 2012

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 segments 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, 2012

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. This fund includes state shared gross receipts tax income fund and state shared gas tax income funds.

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 Taos 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 and recreational events.

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. The General Fund, Lodger's Tax Fund, Water and Sewer Fund and the Taos Regional Landfill fund are combined with funds that have identical activities for financial statement reporting.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

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

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

Investments for the Town are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Restricted investments have been reclassified from prior year classification of restricted cash and cash equivalents, due to the maturity date, and therefore are more accurately considered restricted investments.

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.

The Town estimates the allowance for uncollectible accounts based off the days delinquent. The Town has estimated all accounts that are greater than 120 days to be uncollectible.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 and restricted for future debt service payments.

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. There was no interest expense capitalized by the Town during the current fiscal. 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2012, the Town did not have any fund balances in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2012, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$490,342 for various general government operations as restricted by enabling legislation, \$20,395 for public safety, \$246,633 for culture and recreation, \$8,725 for public works, \$599,231 for fire protection, \$30,594 for health and welfare, \$498,535 for debt service expenditures, and \$3,503,729 for capital projects. The Town has committed fund balance of the general fund for subsequent year's expenditures in the amount of \$1,604,297. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 26.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2012 for the Town is \$817,010.

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 66-69.
- 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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.

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	\$ (464,337)	\$ (156,617)
Nonmajor Governmental Funds	\$ (4,626,138)	\$ (4,853,019)
	<u>Change in net assets</u>	
Budgeted Funds:		
Water and Sewer	\$ (748,018)	\$ (793,536)
Solid Waste	\$ (235,670)	\$ (467,422)
Taos Regional Landfill	\$ 19,172	\$ 107,370

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, 2012.

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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 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.

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 December 31, 2012 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)
- Up to \$250,000 for the combined amount of all interest-bearing demand deposit accounts, and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

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, 2012, \$5,366,325 of the Town's deposits of \$6,244,914 were exposed to custodial credit risk. \$4,898,336 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$467,989 was uninsured and uncollateralized.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

	<u>US Bank</u>	<u>Centinel Bank</u>	<u>Total</u>
Amount of deposits	\$ 3,803,483	\$ 2,441,431	\$ 6,244,914
Deposit Accounts covered by the "Dodd-Frank Deposit Insurance Provision"	(40,799)	(87,790)	(128,589)
FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>3,262,684</u>	<u>2,103,641</u>	<u>5,366,325</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	<u>3,262,684</u>	<u>1,635,652</u>	<u>4,898,336</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 467,989</u>	<u>\$ 467,989</u>
Collateral requirement (50% of uninsured funds)	\$ 1,631,342	\$ 1,051,821	\$ 2,683,163
Pledged Collateral	<u>4,125,016</u>	<u>1,635,652</u>	<u>5,760,668</u>
Over (Under) collateralized	<u>\$ 2,493,674</u>	<u>\$ 583,831</u>	<u>\$ 3,077,505</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.

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 4,658,195
Restricted cash and cash equivalents per Exhibit A-1	937,443
Restricted investments per Exhibit A-1	2,152,646
Agency funds cash per Exhibit E-1	7,734
Certificates of deposits (maturity > 3 months)	170,500
Plus outstanding checks	528,114
Less deposits in transit	(55,622)
Less U.S. Treasury Money Market Mutual Funds	(2,151,837)
Less New Mexico State Treasurer Debt Service	(809)
Less petty cash	<u>(1,450)</u>
Bank balance of deposits	<u>\$ 6,244,914</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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, 2012, 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, 2012 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	60 Days	\$ 4,646,374
Reserve Contingency Fund	Unrated	Does not earn interest	5,395
U.S. Treasury Money Market Mutual Funds *	AA+ **	>365 Days	2,151,837
New Mexico State Treasurer Debt Service *	AA+ **	>365 Days	809
			<u>\$ 6,804,415</u>

*Restricted investments per Exhibit A-1

** Based off Standards & Poor's rating

Reconciliation to the Statement of Net Assets:

Investments per Exhibit A-1	\$ 4,762,269
Restricted investments per Exhibit A-1	2,152,646
Plus agency fund investment per E-1	60,000
Less certificate of deposit	<u>(170,500)</u>
Total investments	<u>\$ 6,804,415</u>

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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 MexiGROWLGIP and U.S Treasury Money Market Mutual Funds represent 68% and 32%, 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).

NOTE 4. Receivables

Receivables as of June 30, 2012, are as follows:

Governmental Activities:	General	Other Governmental Funds	Total
Property taxes receivable	\$ 191,298	\$ -	\$ 191,298
Other taxes receivable:			
Gross receipts	1,423,789	211,387	1,635,176
Gasoline and motor vehicle	35,911	8,725	44,636
Lodger's taxes	-	216,405	216,405
Due from other governments:			
Intergovernmental:			
Federal grants	-	142,603	142,603
State grants	18,523	106,299	124,822
Total receivables	<u>\$1,669,521</u>	<u>\$ 685,419</u>	<u>\$2,354,940</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, 2012 was \$179,824. 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 \$53,777.

Business-type Activities:	Water and Sewer	Solid Waste	Taos Regional Landfill	Total
Customer receivables	\$ 908,923	\$ 200,188	\$ 55,821	\$ 1,164,932
Other receivables:				
Intergovernmental:				
State grants	152,363	-	7,898	160,261
Total gross receivables	<u>1,061,286</u>	<u>200,188</u>	<u>63,719</u>	<u>1,325,193</u>
Less: allowance for doubtful accounts	373,757	41,668	51,067	466,492
Total net receivables	<u>\$ 687,529</u>	<u>\$ 158,520</u>	<u>\$ 12,652</u>	<u>\$ 858,701</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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	Civic Center	\$ 156,085
General Fund	General Fund	4,423,562
Lodger's Tax	General Fund	161,625
Lodger's Tax	Lodger's Tax	684,053
Local Government Correction	General Fund	110,493
Civic Center	Lodger's Tax	78,185
Public Transportation	Lodger's Tax	156,370
Community Grants	General Fund	188,376
Communications Fund	General Fund	287,227
General Fund	1/4 Cent Municipal GRT	73,568
2009 NMFA PPRF Disadvantage Program - Eco Park	1/4 Cent Municipal GRT	180,608
2008 Gross Receipts Tax Revenue Bond Retirement	1/4 Cent Municipal GRT	490,821
Facilities Improvement Fund	1/4 Cent Municipal GRT	13,000
Vehicle Replacement Fund	1/4 Cent Municipal GRT	18,402
	1999 Gasoline Tax	
1999 Gasoline Tax Revenue Bond Retirement	Revenue Bond Reserve	195,021
2007 NMFA Land Purchase	1/4 Cent Municipal GRT	113,716
Facilities Improvement Fund	General Fund	90,339
Capital Projects	1/4 Cent Municipal GRT	76,230
Vehicle Replacement Fund	General Fund	50,000
	1999 Gas Tax Revenue	
2011 NMFA Street Improvement Fund	Bond Retirement	23,005
	Municipal Road Gasoline	
2011 NMFA Street Improvement Fund	Tax Fund	105,840
2011 NMFA Street Improvement Fund	General Fund	169,116
Facilities Improvement Fund	Capital Projects	329,975
Airport Construction Fund	Capital Projects	17,257
Vehicle Replacement Fund	Capital Projects	2,564
1999 Gasoline Tax Acquisition	Capital Projects	293,203
		<u>\$ 8,488,641</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 5. Transfers and Interfund Receivables (continued)

Business-Type Activities:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Water and Sewer	Water and Sewer	\$ 3,230,344
Taos Regional Landfill	Taos Regional Landfill	492,632
		<u>\$ 3,722,976</u>

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2012 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Water and Sewer	\$ 696
General Fund	Taos Regional Landfill	6,206
		<u>\$ 6,902</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, 2012 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 6,277,809	\$ -	\$ -	\$ 6,277,809
Construction in progress	2,770,124	223,887	2,635,787	358,224
Total capital assets, not depreciated	<u>9,047,933</u>	<u>223,887</u>	<u>2,635,787</u>	<u>6,636,033</u>
Capital assets, depreciated:				
Land improvements	5,068,985	2,308,475	-	7,377,460
Buildings and improvements	33,306,067	138,034	-	33,444,101
Machinery and equipment	15,215,742	441,320	419,893	15,237,169
Infrastructure	49,200,941	507,315	-	49,708,256
Total capital assets, depreciated	<u>102,791,735</u>	<u>3,395,144</u>	<u>419,893</u>	<u>105,766,986</u>
Less accumulated depreciation:				
Land improvements	(3,601,547)	(241,994)	-	(3,843,541)
Buildings and improvements	(12,212,436)	(1,206,665)	-	(13,419,101)
Machinery and equipment	(11,675,287)	(936,814)	(419,815)	(12,192,286)
Infrastructure	(30,869,777)	(1,692,380)	-	(32,562,157)
Total accumulated depreciation	<u>(58,359,047)</u>	<u>(4,077,853)</u>	<u>(419,815)</u>	<u>(62,017,085)</u>
Net book value	<u>\$ 53,480,621</u>	<u>\$ (458,822)</u>	<u>\$ 2,635,865</u>	<u>\$ 50,385,934</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2012 was charged to governmental activities as follows:

General government	\$ 1,871,948
Public safety	39,495
Public works	2,138,969
Culture and recreation	3,189
Health and Welfare	24,252
	<u>\$ 4,077,853</u>

Business-type activities:	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 262,422	\$ -	\$ -	\$ 262,422
Construction in progress	<u>8,870,192</u>	<u>2,446,331</u>	<u>322,406</u>	<u>10,994,117</u>
Total capital assets, not depreciated	<u>9,132,614</u>	<u>2,446,331</u>	<u>322,406</u>	<u>11,256,539</u>
Capital assets, depreciated:				
Land improvements	104,895	-	-	104,895
Buildings and improvements	4,385,023	7,898	-	4,392,921
Machinery and equipment	8,624,969	119,990	4,051	8,740,908
Infrastructure	<u>21,017,583</u>	<u>803,467</u>	<u>-</u>	<u>21,821,050</u>
Total capital assets, depreciated	<u>34,132,470</u>	<u>931,355</u>	<u>4,051</u>	<u>35,059,774</u>
Less accumulated depreciation:				
Land improvements	(83,077)	(2,681)	-	\$ (85,758)
Buildings and improvements	(1,979,651)	(150,350)	-	(2,130,001)
Machinery and equipment	(6,024,535)	(322,422)	(4,051)	(6,342,906)
Infrastructure	<u>(7,155,973)</u>	<u>(812,852)</u>	<u>-</u>	<u>(7,968,825)</u>
Total accumulated depreciation	<u>(15,243,236)</u>	<u>(1,288,305)</u>	<u>(4,051)</u>	<u>(16,527,490)</u>
Net book value	<u>\$ 28,021,848</u>	<u>\$ 2,089,381</u>	<u>\$ 322,406</u>	<u>\$ 29,788,823</u>

Depreciation expense for the year ended June 30, 2012 was charged to business-type activities as follows:

Enterprise activities:	
Water and sewer	\$ 1,076,331
Solid waste	23,643
Landfill	188,331
	<u>\$ 1,288,305</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Revenue Bonds	\$ 6,130,000	\$ -	\$ 620,000	\$ 5,510,000	\$ 265,000
NMFA Loans	2,650,686	1,694,457	359,853	3,985,290	365,809
USDA Contract Payable	54,000	-	18,000	36,000	18,000
Compensated Absences	651,167	379,328	410,553	619,942	410,553
Total Long-Term Debt	\$ 9,485,853	\$ 2,073,785	\$ 1,408,406	\$ 10,151,232	\$ 1,059,362

Revenue Bonds

At June 30, 2012, 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 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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 265,000	\$ 229,188	\$ 494,188
2014	280,000	209,800	489,800
2015	290,000	198,600	488,600
2016	300,000	187,000	487,000
2017	315,000	386,250	701,250
2018-2022	1,200,000	440,400	1,640,400
2023-2026	2,860,000	180,890	3,040,890
	\$ 5,510,000	\$ 1,832,128	\$ 7,342,128

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

NMFA Loans

The Town entered into three 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
NMFA Revolving Loan Fund Road Projects	11/04/11	05/01/22	1.895%	1,694,457

The annual requirements to amortize the NMFA loans as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 365,809	\$ 92,021	\$ 457,830
2014	372,604	86,937	459,541
2015	380,341	81,081	461,422
2016	389,203	74,281	463,484
2017	399,053	56,508	455,561
2018-2022	1,572,972	219,448	1,792,420
2023-2025	505,308	36,960	542,268
	<u>\$ 3,985,290</u>	<u>\$ 647,236</u>	<u>\$ 4,632,526</u>

USDA Contract Payable

At June 30, 2012, the Town had the following USDA contract payable:

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

The annual requirements to amortize the USDA contract payable as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 18,000	-	\$ 18,000
2014	18,000	-	18,000
	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ 36,000</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

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

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, 2012, compensated absences decreased \$31,225 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, 2012:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Revenue Bonds	\$ 2,098,600	\$ -	\$ 43,000	\$ 2,055,600	\$ 46,000
NMFA and RUS Loans	3,370,354	-	252,663	3,117,691	309,252
Landfill Closure Liability	1,812,918	84,423	-	1,897,341	-
Compensated Absences	62,827	61,207	55,231	68,803	55,231
Total Long-Term Debt	\$ 7,344,699	\$ 145,630	\$ 350,894	\$ 7,139,435	\$ 410,483

Revenue Bonds

At June 30, 2012, 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, 2012

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	57,000	96,448	153,448
2018-2022	333,000	434,191	767,191
2023-2027	430,000	337,081	767,081
2028-2032	557,000	211,545	768,545
2033-2037	439,600	63,944	503,544
2038	38,000	1,658	39,658
	<u>\$ 2,055,600</u>	<u>\$ 1,557,703</u>	<u>\$ 3,613,303</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, 2012

NOTE 7. Long-term Debt (continued)

The annual requirement to amortize the loans as of June 30, 2012, including interest payments, is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	263,063	28,672	291,735
2018-2022	777,022	71,915	848,937
2023-2027	468,557	41,750	510,307
2028-2032	364,681	33,350	398,031
2033-2037	51,000	22,400	73,400
2038-2041	58,000	7,950	65,950
	\$ 3,117,691	\$ 380,066	\$ 3,497,757

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, 2012, compensated absences increased \$5,976 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 has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2012, 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, 2012

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, 2012.
- 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, 2012:
- C. Designated cash appropriations in excess of available balances. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2012.

	Designated Cash	Beginning Year Cash & AR Available	Cash Appropriation in excess of available
1999 Gasoline Tax Revenue Bond Retirement Debt Service Fund	\$ 220,540	\$ 197,584	\$ 22,956
Facilities Improvements Capital Projects Fund	234,196	231,665	2,531

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, 2012, 2011 and 2010 were \$921,212, \$1,003,393, and \$1,050,500, respectively, which equal 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the 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.

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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 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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary; and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending 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 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, 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, 2012, 2011 and 2010 were \$109,884, \$106,634 and \$83,267, respectively, which equal the required contributions for each year.

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Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 12. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. The Town is insured through the New Mexico Self Insurers Fund. The maximum exposure of the Town is not estimable as of June 30, 2012.

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 \$1,897,341 as of June 30, 2012, which is based on 33 percent usage (filled) of the landfill. This is an increase of \$84,823, 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, 2012. 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, 2012, cash of \$679,234 and investments of \$74,500 is part of the pooled funds held by the Town and is presented as restricted cash and investments 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, 2012 in the amount of \$1,500,229 as follows:

Project Description	Contract Amount Remaining	Estimated Date of Completion	Contractor
Wastewater Treatment Plant Upgrades	\$ 208,745	September 2012	AUI, Inc. & Souder, Miller & Associates
Aiport EIS	95,297	June 2013	URS Corporation
2 - Ford F150 Trucks	49,648	August 2012	Bob Turner's Ford
Aiport Beacon & Pole Replacement	43,020	September 2012	Bixby Electric & Armstrong Consulting
Rehabilitation of Wells 3 & 3A	86,125	August 2012	Layne Christens
Search-Technical-Rescue Cab & Chassis	293,265	August 2012	Siddons-Martin
Urban Interface Engine	345,185	July 2012	Siddons-Martin
Equipment Shed Expansion	127,545	October 2012	Vigil Contracting Service
Horizontal Baler	170,936	October 2012	Action Compaction Equipment
Hrydrological Services	80,463	July 2012	Daniel B. Stephens & Associates
	<u>\$1,500,229</u>		

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is November 27, 2012, which is the date on which the financial statements were issued.

The Town will be acquiring new debt in the amount of \$197,390 from New Mexico Finance Authority and the Water Trust Board for Water System Improvements.

The Town will be receiving \$200,000 of additional funding from the New Mexico Environmental Department Clean Water State Revolving Fund Project for completion of the wastewater treatment plant upgrades project. The expected completion is September 2012.

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 \$5,025,020 of restricted net assets, all of which is restricted by enabling legislation. See pages 66 to 69 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 \$493,600 and \$360,146, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,440 and \$2,891,725, respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$123,000 in Series 1993B Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$97,000 and \$73,094, respectively. Principal and interest paid for the current year and total customer net revenues were \$7,445 and \$2,891,725, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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 \$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 \$1,063,000 and \$863,874, respectively. Principal and interest paid for the current year and total customer net revenues were \$77,683 and \$2,891,725, 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 \$402,000 and \$316,194, respectively. Principal and interest paid for the current year and total customer net revenues were \$26,760 and \$2,891,725, 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 \$222,000 and \$207,600, respectively. Principal and interest paid for the current year and total customer net revenues were \$14,250 and \$2,891,725, 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 \$462,659 and \$99,451, respectively. Principal and interest paid for the current year and total customer net revenues were \$68,196 and \$2,891,725, respectively.

The Town of Taos has pledged future revenues from the distribution of the Municipal Environmental Services Gross Receipts Tax revenue, to repay \$1,372,684 in NMFA Taos Regional Landfill Loan, issued in 2004. The loans are payable solely from the Municipal Environmental Services GRT revenue and are payable through May 2014. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the loan is \$155,918 and \$7,763, respectively. Principal and interest paid for the current year and total customer net revenues were \$81,623 and \$897,186, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

NOTE 19. Utility Revenues Pledged (continued)

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 \$645,736 and \$65,252, respectively. Principal and interest paid for the current year and total customer net revenues were \$112,205 and \$897,186, 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 \$112,437 with no interest due. Principal for the current year and total customer net revenues were \$6,466 and \$2,891,725, 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 \$518,942 with no interest due. Principal for the current year and total customer net revenues were \$29,844 and \$2,891,725, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$1,000,000 in NMED Clean Water State Revolving Fund Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through June 2030. 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 NMED 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. Principal and interest to be paid on the loan is not due and payable until completion of the project.

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	\$ 30,226
Abeyta Engineering	Council member – Rudy Abeyta’s brother	65,987
MS Quick Stop	Finance Director – Marietta Fambro’s brother	356
Dave’s Digital	IT Manager – Reuben Martinez’s brother	2,484
Northern Fire Suppression	Town Clerk– Renee Lucero’s brother	2,000

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2012

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 March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Town in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is 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, 2012

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.

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Town of Taos
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June 30, 2012

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, 2012

Debt Service Funds

2009 NMFA PPRF Disadvantage Program- Eco Park

This fund was created 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.

2011 PPRF Street Improvement

This fund was created for the purpose of accumulating monies for the payment of principal and interest on Series PPRF Street Improvement Revenue Bonds. Authority is Town Council resolution.

2011 PPRF Street Improvement Reserve

This fund was created for the purpose of accumulating monies for the payment of principal and interest on Series PPRF Street Improvement Revenue Bonds. Authority is Town Council resolution.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
June 30, 2012

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.

Capital Projects

This fund was created to accumulate revenue and other financing sources for the purpose of financing general-purpose capital projects. 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 was 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 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, 2012

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Government Correction
<i>Assets</i>				
Cash and cash equivalents	\$ 162,973	\$ 1,209	\$ 107,407	\$ 22,469
Investments	436,258	37,500	-	-
Receivables:				
Other taxes	-	-	162,628	-
Due from other governments	-	-	-	-
	<u>\$ 599,231</u>	<u>\$ 38,709</u>	<u>\$ 270,035</u>	<u>\$ 22,469</u>
<i>Total assets</i>				
	<u>\$ 599,231</u>	<u>\$ 38,709</u>	<u>\$ 270,035</u>	<u>\$ 22,469</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 4,001	\$ 5,895
Accrued payroll	-	-	6,140	-
Deposits held in trust for others	-	-	-	-
Deferred revenue	-	-	53,777	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>63,918</u>	<u>5,895</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>63,918</u>	<u>5,895</u>
<i>Fund balances</i>				
<i>Spendable</i>				
<i>Restricted for:</i>				
General government	-	-	-	-
Public safety	-	-	-	16,574
Culture and recreation	-	38,709	206,117	-
Public works	-	-	-	-
Fire protection	599,231	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
<i>Committed for:</i>				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
	<u>599,231</u>	<u>38,709</u>	<u>206,117</u>	<u>16,574</u>
<i>Total fund balances</i>	<u>599,231</u>	<u>38,709</u>	<u>206,117</u>	<u>16,574</u>
<i>Total liabilities and fund balances</i>	<u>\$ 599,231</u>	<u>\$ 38,709</u>	<u>\$ 270,035</u>	<u>\$ 22,469</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
\$ 4,702	\$ 3,994	\$ 1	\$ 13,378	\$ 17,849	\$ -
-	3,000	-	-	25,000	-
-	-	-	-	-	8,725
-	-	-	27,337	63,962	-
<u>\$ 4,702</u>	<u>\$ 6,994</u>	<u>\$ 1</u>	<u>\$ 40,715</u>	<u>\$ 106,811</u>	<u>\$ 8,725</u>
\$ 881	\$ 84	\$ -	\$ 4,334	\$ 1,432	\$ -
-	-	-	5,788	379	-
-	5,103	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>881</u>	<u>5,187</u>	<u>-</u>	<u>10,122</u>	<u>1,811</u>	<u>-</u>
-	-	-	-	105,000	-
3,821	-	-	-	-	-
-	1,807	-	-	-	-
-	-	-	-	-	8,725
-	-	-	-	-	-
-	-	1	30,593	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,821</u>	<u>1,807</u>	<u>1</u>	<u>30,593</u>	<u>105,000</u>	<u>8,725</u>
<u>\$ 4,702</u>	<u>\$ 6,994</u>	<u>\$ 1</u>	<u>\$ 40,715</u>	<u>\$ 106,811</u>	<u>\$ 8,725</u>

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	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	\$ -	\$ 94,243	\$ -	\$ 1
Investments	-	150,000	-	-
Receivables:				
Other taxes	151,523	-	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	\$ 151,523	\$ 244,243	\$ -	\$ 1
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 483	\$ -	\$ -
Accrued payroll	-	9,941	-	-
Deposits held in trust for others	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	10,424	-	-
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	151,523	233,819	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	1
Capital projects	-	-	-	-
Committed for:				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	151,523	233,819	-	1
<i>Total liabilities and fund balances</i>	\$ 151,523	\$ 244,243	\$ -	\$ 1

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Capital Projects			
	Facilities Improvements	Capital Projects	Airport Construction	Enhanced 911
<i>Assets</i>				
Cash and cash equivalents	\$ 309,523	\$ 12,214	\$ 25,090	\$ 309
Investments	-	505,919	-	25,000
Receivables:				
Other taxes	-	113,641	-	-
Due from other governments	-	-	142,603	-
	<u>\$ 309,523</u>	<u>\$ 631,774</u>	<u>\$ 167,693</u>	<u>\$ 25,309</u>
<i>Total assets</i>				
<i>Liabilities</i>				
Accounts payable	\$ 5,964	\$ 319	\$ 140,990	\$ -
Accrued payroll	-	-	-	-
Deposits held in trust for others	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>5,964</u>	<u>319</u>	<u>140,990</u>	<u>-</u>
<i>Total liabilities</i>				
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	303,559	631,455	26,703	25,309
Committed for:				
Minimum fund balance	-	-	-	-
Subsequent year's expenditures	-	-	-	-
Unassigned	-	-	-	-
	<u>303,559</u>	<u>631,455</u>	<u>26,703</u>	<u>25,309</u>
<i>Total fund balances</i>				
	<u>\$ 309,523</u>	<u>\$ 631,774</u>	<u>\$ 167,693</u>	<u>\$ 25,309</u>
<i>Total liabilities and fund balances</i>				

The accompanying notes are an integral part of these financial statements

Capital Projects

Vehicle Replacement	1994 Gross Receipts Tax Revenue Bond Acquisition	1999 Gasoline Tax Acquisition	Total Nonmajor Governmental Funds
\$ 30,654	\$ 13,419	\$ 1,892,121	\$ 3,210,090
47,000	520,021	148	1,749,846
-	-	-	436,517
-	15,000	-	248,902
<u>\$ 77,654</u>	<u>\$ 548,440</u>	<u>\$ 1,892,269</u>	<u>\$ 5,645,355</u>
\$ -	\$ 1,660	\$ -	\$ 166,043
-	-	-	22,248
-	-	-	5,103
-	-	-	53,777
-	-	-	-
-	1,660	-	247,171
-	-	-	490,342
-	-	-	20,395
-	-	-	246,633
-	-	-	8,725
-	-	-	599,231
-	-	-	30,594
-	-	-	498,535
77,654	546,780	1,892,269	3,503,729
-	-	-	-
-	-	-	-
-	-	-	-
<u>77,654</u>	<u>546,780</u>	<u>1,892,269</u>	<u>5,398,184</u>
<u>\$ 77,654</u>	<u>\$ 548,440</u>	<u>\$ 1,892,269</u>	<u>\$ 5,645,355</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, 2012

	Special Revenue			
	Fire Protection	Recreation	Lodger's Tax	Local Governmental Correction
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	10	888,320	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	225,852	-	-	-
State capital grants	-	-	-	-
Charges for services	-	4,531	45,016	-
Licenses and fees	-	-	-	21,356
Investment income (loss)	-	-	-	-
Miscellaneous	-	855	31,916	-
<i>Total revenues</i>	225,852	5,396	965,252	21,356
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	52,961	-	-	156,308
Public works	-	-	-	-
Culture and recreation	-	29,585	913,013	-
Health and welfare	-	-	-	-
Capital outlay	160,193	-	36,332	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	213,154	29,585	949,345	156,308
<i>Excess (deficiency) of revenues over expenditures</i>	12,698	(24,189)	15,907	(134,952)
<i>Other financing sources (uses)</i>				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	845,678	110,493
Transfers out	-	-	(918,608)	-
<i>Total other financing sources (uses)</i>	-	-	(72,930)	110,493
<i>Net change in fund balances</i>	12,698	(24,189)	(57,023)	(24,459)
<i>Fund balances - beginning of year</i>	586,533	62,898	263,140	41,033
<i>Fund balances - end of year</i>	\$ 599,231	\$ 38,709	\$ 206,117	\$ 16,574

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	95,435
-	-	-	-	-	-
-	-	150,000	-	-	-
-	-	-	-	-	-
-	-	-	294,335	279,637	-
-	-	-	-	-	-
-	26,629	-	51,901	-	-
-	150	-	-	-	-
-	-	-	-	-	-
-	4,852	-	852	-	-
-	<u>31,631</u>	<u>150,000</u>	<u>347,088</u>	<u>279,637</u>	<u>95,435</u>
-	-	-	-	427,848	-
33,978	-	-	-	-	-
-	-	-	-	-	-
-	3,900	-	-	-	-
-	-	150,000	487,184	-	-
-	-	-	5,100	30,108	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,978</u>	<u>3,900</u>	<u>150,000</u>	<u>492,284</u>	<u>457,956</u>	<u>-</u>
<u>(33,978)</u>	<u>27,731</u>	<u>-</u>	<u>(145,196)</u>	<u>(178,319)</u>	<u>95,435</u>
-	-	-	-	-	-
-	78,185	-	156,370	188,376	-
-	(156,085)	-	-	-	(105,840)
-	<u>(77,900)</u>	<u>-</u>	<u>156,370</u>	<u>188,376</u>	<u>(105,840)</u>
<u>(33,978)</u>	<u>(50,169)</u>	<u>-</u>	<u>11,174</u>	<u>10,057</u>	<u>(10,405)</u>
<u>37,799</u>	<u>51,976</u>	<u>1</u>	<u>19,419</u>	<u>94,943</u>	<u>19,130</u>
<u>\$ 3,821</u>	<u>\$ 1,807</u>	<u>\$ 1</u>	<u>\$ 30,593</u>	<u>\$ 105,000</u>	<u>\$ 8,725</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, 2012

	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	\$ 893,858	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	325,727	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	893,858	325,727	-	-
<i>Expenditures</i>				
Current				
General government	-	532,569	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	78,837	-	-
Debt service				
Principal	-	-	126,538	255,000
Interest	-	-	54,218	236,625
<i>Total expenditures</i>	-	611,406	180,756	491,625
<i>Excess (deficiency) of revenues over expenditures</i>	893,858	(285,679)	(180,756)	(491,625)
<i>Other financing sources (uses)</i>				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	287,227	180,608	490,821
Transfers out	(966,345)	-	-	-
<i>Total other financing sources (uses)</i>	(966,345)	287,227	180,608	490,821
<i>Net change in fund balances</i>	(72,487)	1,548	(148)	(804)
<i>Fund balances - beginning of year</i>	224,010	232,271	148	805
<i>Fund balances - end of year</i>	\$ 151,523	\$ 233,819	\$ -	\$ 1

The accompanying notes are an integral part of these financial statements

Debt Service

1999 Gasoline Tax Revenue Bond Retirement	1999 Gasoline Tax Revenue Bond Reserve	NMFA Debt Service Reserve Eco Park	2007 NMFA Land Purchase	2011 PPRF Street Improvement	2011 PPRF Street Improvement Reserve
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	21	787	8	2	183
-	-	-	-	-	-
-	21	787	8	2	183
-	-	-	1,530	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
365,000	-	-	94,540	138,775	-
4,600	-	-	17,656	12,087	-
369,600	-	-	113,726	150,862	-
(369,600)	21	787	(113,718)	(150,860)	183
-	-	-	-	-	169,416
195,021	-	-	113,716	297,961	-
(23,005)	(195,021)	-	-	-	-
172,016	(195,021)	-	113,716	297,961	169,416
(197,584)	(195,000)	787	(2)	147,101	169,599
197,584	195,000	181,015	34	-	-
\$ -	\$ -	\$ 181,802	\$ 32	\$ 147,101	\$ 169,599

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, 2012

	Capital Projects			
	Facilities	Capital Projects	Airport	Enhanced 911
	Improvements		Construction	
<i>Revenues</i>				
Taxes				
Gross receipts	\$ -	\$ 670,393	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	79,913	435,688	-
State operating grants	-	17,130	-	-
State capital grants	-	7,993	12,651	-
Charges for services	1,333	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	(5,022)	-	-
Miscellaneous	23,019	-	-	-
<i>Total revenues</i>	24,352	770,407	448,339	-
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	261,699	92,954	231,440	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	96,122	205,216	226,899	-
Debt service				
Principal	18,000	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	375,821	298,170	458,339	-
<i>Excess (deficiency) of revenues over expenditures</i>	(351,469)	472,237	(10,000)	-
<i>Other financing sources (uses)</i>				
Proceeds from issuance of debt	-	-	-	-
Transfers in	433,314	76,231	17,257	-
Transfers out	-	(642,999)	-	-
<i>Total other financing sources (uses)</i>	433,314	(566,768)	17,257	-
<i>Net change in fund balances</i>	81,845	(94,531)	7,257	-
<i>Fund balances - beginning of year</i>	221,714	725,986	19,446	25,309
<i>Fund balances - end of year</i>	\$ 303,559	\$ 631,455	\$ 26,703	\$ 25,309

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>			
<u>Vehicle Replacement</u>	<u>1994 Gross Receipts Tax Revenue Bond Acquisition</u>	<u>1999 Gasoline Tax Acquisition</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,564,251
-	-	-	95,435
-	-	-	888,330
-	-	-	150,000
-	-	-	515,601
-	-	-	816,954
-	15,000	-	35,644
-	-	-	455,137
-	-	-	21,506
-	(852)	503	(4,370)
-	-	-	61,494
<u>-</u>	<u>14,148</u>	<u>503</u>	<u>4,599,982</u>
-	-	-	961,947
-	-	-	243,247
-	22,794	25,042	633,929
-	-	-	946,498
-	-	-	637,184
89,599	-	54,838	983,244
-	-	-	-
-	-	-	997,853
-	-	-	325,186
<u>89,599</u>	<u>22,794</u>	<u>79,880</u>	<u>5,729,088</u>
<u>(89,599)</u>	<u>(8,646)</u>	<u>(79,377)</u>	<u>(1,129,106)</u>
-	-	1,525,041	1,694,457
70,966	-	293,202	3,835,426
-	-	-	(3,007,903)
<u>70,966</u>	<u>-</u>	<u>1,818,243</u>	<u>2,521,980</u>
(18,633)	(8,646)	1,738,866	1,392,874
<u>96,287</u>	<u>555,426</u>	<u>153,403</u>	<u>4,005,310</u>
<u>\$ 77,654</u>	<u>\$ 546,780</u>	<u>\$ 1,892,269</u>	<u>\$ 5,398,184</u>

STATE OF NEW MEXICO
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, 2012

Statement B-1

	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	230,458	225,852	225,852	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>230,458</u>	<u>225,852</u>	<u>225,852</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	236,498	159,270	52,961	106,309
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	580,493	653,115	160,193	492,922
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>816,991</u>	<u>812,385</u>	<u>213,154</u>	<u>599,231</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(586,533)</u>	<u>(586,533)</u>	<u>12,698</u>	<u>599,231</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	586,533	586,533	-	(586,533)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>586,533</u>	<u>586,533</u>	<u>-</u>	<u>(586,533)</u>
<i>Net change in fund balance</i>	-	-	12,698	12,698
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>586,533</u>	<u>586,533</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 599,231</u>	<u>\$ 599,231</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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, 2012

Statement B-2

	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	-	-	10	10
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	3,500	3,500	4,531	1,031
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	855	855
<i>Total revenues</i>	<u>3,500</u>	<u>3,500</u>	<u>5,396</u>	<u>1,896</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	46,461	46,461	29,585	16,876
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,461</u>	<u>46,461</u>	<u>29,585</u>	<u>16,876</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(42,961)</u>	<u>(42,961)</u>	<u>(24,189)</u>	<u>18,772</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	42,961	42,961	-	(42,961)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>42,961</u>	<u>42,961</u>	<u>-</u>	<u>(42,961)</u>
<i>Net change in fund balance</i>	-	-	(24,189)	(24,189)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>62,898</u>	<u>62,898</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,709</u>	<u>\$ 38,709</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, 2012

	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	823,000	888,320	65,320
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	38,000	40,000	45,016	5,016
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	7,200	33,662	31,916	(1,746)
<i>Total revenues</i>	<u>868,200</u>	<u>896,662</u>	<u>965,252</u>	<u>68,590</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	944,002	948,639	913,013	35,626
Health and welfare	-	-	-	-
Capital outlay	-	36,332	36,332	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>944,002</u>	<u>984,971</u>	<u>949,345</u>	<u>35,626</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(75,802)</u>	<u>(88,309)</u>	<u>15,907</u>	<u>104,216</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	148,732	161,239	-	(161,239)
Transfers in	845,678	845,678	845,678	-
Transfers out	(918,608)	(918,608)	(918,608)	-
<i>Total other financing sources (uses)</i>	<u>75,802</u>	<u>88,309</u>	<u>(72,930)</u>	<u>(161,239)</u>
<i>Net change in fund balance</i>	-	-	(57,023)	(57,023)
<i>Fund balance - beginning of year</i>	-	-	263,140	263,140
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,117</u>	<u>\$ 206,117</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, 2012

	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	36,080	36,080	21,356	(14,724)
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>36,080</u>	<u>36,080</u>	<u>21,356</u>	<u>(14,724)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	135,000	162,423	156,308	6,115
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>135,000</u>	<u>162,423</u>	<u>156,308</u>	<u>6,115</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(98,920)</u>	<u>(126,343)</u>	<u>(134,952)</u>	<u>(8,609)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,462	15,850	-	(15,850)
Transfers in	97,458	110,493	110,493	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>98,920</u>	<u>126,343</u>	<u>110,493</u>	<u>(15,850)</u>
<i>Net change in fund balance</i>	-	-	(24,459)	(24,459)
<i>Fund balance - beginning of year</i>	-	-	41,033	41,033
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,574</u>	<u>\$ 16,574</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, 2012

	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	32,000	32,000	-	(32,000)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>32,000</u>	<u>32,000</u>	<u>-</u>	<u>(32,000)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	37,799	37,799	33,978	3,821
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,799</u>	<u>37,799</u>	<u>33,978</u>	<u>3,821</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,799)</u>	<u>(5,799)</u>	<u>(33,978)</u>	<u>(28,179)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,799	5,799	-	(5,799)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,799</u>	<u>5,799</u>	<u>-</u>	<u>(5,799)</u>
<i>Net change in fund balance</i>	-	-	(33,978)	(33,978)
<i>Fund balance - beginning of year</i>	-	-	37,799	37,799
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,821</u>	<u>\$ 3,821</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, 2012

	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	36,400	28,812	26,629	(2,183)
Licenses and fees	-	150	150	-
Investment income (loss)	-	-	-	-
Miscellaneous	300	300	4,852	4,552
<i>Total revenues</i>	<u>36,700</u>	<u>29,262</u>	<u>31,631</u>	<u>2,369</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	5,103	5,103	3,900	1,203
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,103</u>	<u>5,103</u>	<u>3,900</u>	<u>1,203</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,597</u>	<u>24,159</u>	<u>27,731</u>	<u>3,572</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	51,538	53,741	-	(53,741)
Transfers in	78,185	78,185	78,185	-
Transfers out	(161,320)	(156,085)	(156,085)	-
<i>Total other financing sources (uses)</i>	<u>(31,597)</u>	<u>(24,159)</u>	<u>(77,900)</u>	<u>(53,741)</u>
<i>Net change in fund balance</i>	-	-	(50,169)	(50,169)
<i>Fund balance - beginning of year</i>	-	-	51,976	51,976
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,807</u>	<u>\$ 1,807</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, 2012

	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	150,000	150,000	150,000	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
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, 2012

	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	283,377	294,334	294,335	1
State capital grants	-	-	-	-
Charges for services	55,000	55,000	51,901	(3,099)
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	880	852	(28)
<i>Total revenues</i>	<u>338,377</u>	<u>350,214</u>	<u>347,088</u>	<u>(3,126)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	493,195	487,191	487,184	7
Capital outlay	-	5,100	5,100	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>493,195</u>	<u>492,291</u>	<u>492,284</u>	<u>7</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(154,818)</u>	<u>(142,077)</u>	<u>(145,196)</u>	<u>(3,119)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,552)	(14,293)	-	14,293
Transfers in	156,370	156,370	156,370	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>154,818</u>	<u>142,077</u>	<u>156,370</u>	<u>14,293</u>
<i>Net change in fund balance</i>	-	-	11,174	11,174
<i>Fund balance - beginning of year</i>	-	-	19,419	19,419
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,593</u>	<u>\$ 30,593</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, 2012

	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	566,197	518,152	279,637	(238,515)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>566,197</u>	<u>518,152</u>	<u>279,637</u>	<u>(238,515)</u>
<i>Expenditures</i>				
Current				
General government	727,159	674,594	427,848	246,746
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	106,902	106,145	30,108	76,037
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>834,061</u>	<u>780,739</u>	<u>457,956</u>	<u>322,783</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(267,864)</u>	<u>(262,587)</u>	<u>(178,319)</u>	<u>84,268</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	84,488	74,211	-	(74,211)
Transfers in	183,376	188,376	188,376	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>267,864</u>	<u>262,587</u>	<u>188,376</u>	<u>(74,211)</u>
<i>Net change in fund balance</i>	-	-	10,057	10,057
<i>Fund balance - beginning of year</i>	-	-	94,943	94,943
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

Town of Taos

Municipal Road Gasoline Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	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	97,979	105,840	95,435	(10,405)
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>97,979</u>	<u>105,840</u>	<u>95,435</u>	<u>(10,405)</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>97,979</u>	<u>105,840</u>	<u>95,435</u>	<u>(10,405)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(97,979)	(105,840)	(105,840)	-
<i>Total other financing sources (uses)</i>	<u>(97,979)</u>	<u>(105,840)</u>	<u>(105,840)</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(10,405)	(10,405)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>19,130</u>	<u>19,130</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,725</u>	<u>\$ 8,725</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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variations Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	916,259	916,259	893,858	(22,401)
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	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>916,259</u>	<u>916,259</u>	<u>893,858</u>	<u>(22,401)</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>916,259</u>	<u>893,858</u>	<u>(22,401)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	45,358	50,086	-	(50,086)
Transfers in	-	-	-	-
Transfers out	(961,617)	(966,345)	(966,345)	-
<i>Total other financing sources (uses)</i>	<u>(916,259)</u>	<u>(916,259)</u>	<u>(966,345)</u>	<u>(50,086)</u>
<i>Net change in fund balance</i>	-	-	(72,487)	(72,487)
<i>Fund balance - beginning of year</i>	-	-	224,010	224,010
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,523</u>	<u>\$ 151,523</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, 2012

	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	328,890	328,890	325,727	(3,163)
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	10,800	10,800	-	(10,800)
<i>Total revenues</i>	<u>339,690</u>	<u>339,690</u>	<u>325,727</u>	<u>(13,963)</u>
<i>Expenditures</i>				
Current				
General government	618,218	599,306	532,569	66,737
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	80,000	78,837	1,163
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>618,218</u>	<u>679,306</u>	<u>611,406</u>	<u>67,900</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(278,528)</u>	<u>(339,616)</u>	<u>(285,679)</u>	<u>53,937</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(22,962)	38,126	-	(38,126)
Transfers in	301,490	301,490	287,227	(14,263)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>278,528</u>	<u>339,616</u>	<u>287,227</u>	<u>(52,389)</u>
<i>Net change in fund balance</i>	-	-	1,548	1,548
<i>Fund balance - beginning of year</i>	-	-	232,271	232,271
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,819</u>	<u>\$ 233,819</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	-	-
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	126,538	126,538	126,538	-
Interest	54,218	54,218	54,218	-
<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)	16	16	-	(16)
Transfers in	180,740	180,740	180,608	(132)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>180,756</u>	<u>180,756</u>	<u>180,608</u>	<u>(148)</u>
<i>Net change in fund balance</i>	-	-	(148)	(148)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>148</u>	<u>148</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	-	-
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	255,000	255,000	255,000	-
Interest	236,625	236,625	236,625	-
<i>Total expenditures</i>	<u>491,625</u>	<u>491,625</u>	<u>491,625</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(491,625)</u>	<u>(491,625)</u>	<u>(491,625)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	805	805	-	(805)
Transfers in	490,820	490,820	490,821	1
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>491,625</u>	<u>491,625</u>	<u>490,821</u>	<u>(804)</u>
<i>Net change in fund balance</i>	-	-	(804)	(804)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>805</u>	<u>805</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-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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	1,500	1,500	-	1,500
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	365,000	365,000	365,000	-
Interest	26,035	26,035	4,600	21,435
<i>Total expenditures</i>	<u>392,535</u>	<u>392,535</u>	<u>369,600</u>	<u>22,935</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(392,535)</u>	<u>(392,535)</u>	<u>(369,600)</u>	<u>22,935</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	197,535	220,540	-	(220,540)
Transfers in	195,000	195,000	195,021	21
Transfers out	-	(23,005)	(23,005)	-
<i>Total other financing sources (uses)</i>	<u>392,535</u>	<u>392,535</u>	<u>172,016</u>	<u>(220,519)</u>
<i>Net change in fund balance</i>	-	-	(197,584)	(197,584)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>197,584</u>	<u>197,584</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	21	21
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>21</u>	<u>21</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>21</u>	<u>21</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	195,000	195,000	-	(195,000)
Transfers in	-	-	-	-
Transfers out	(195,000)	(195,000)	(195,021)	(21)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(195,021)</u>	<u>(195,021)</u>
<i>Net change in fund balance</i>	-	-	(195,000)	(195,000)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>195,000</u>	<u>195,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

Town of Taos

NMFA Debt Service Reserve 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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	787	787
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>787</u>	<u>787</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>787</u>	<u>787</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>	-	-	787	787
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>181,015</u>	<u>181,015</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,802</u>	<u>\$ 181,802</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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	8	8
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
<i>Expenditures</i>				
Current				
General government	1,531	1,531	1,530	1
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	94,540	94,540	94,540	-
Interest	17,656	17,656	17,656	-
<i>Total expenditures</i>	<u>113,727</u>	<u>113,727</u>	<u>113,726</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(113,727)</u>	<u>(113,727)</u>	<u>(113,718)</u>	<u>9</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(273)	(273)	-	273
Transfers in	114,000	114,000	113,716	(284)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>113,727</u>	<u>113,727</u>	<u>113,716</u>	<u>(11)</u>
<i>Net change in fund balance</i>	-	-	(2)	(2)
<i>Fund balance - beginning of year</i>	-	-	34	34
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 32</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

Town of Taos

2011 PPRF Street Improvement Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	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	-	-	-	-
Investment income (loss)	-	-	2	2
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	157,451	157,451	138,775	18,676
Interest	24,778	24,778	12,087	12,691
<i>Total expenditures</i>	<u>182,229</u>	<u>182,229</u>	<u>150,862</u>	<u>31,367</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(182,229)</u>	<u>(182,229)</u>	<u>(150,860)</u>	<u>31,369</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(87,028)	(117,894)	-	117,894
Transfers in	269,257	300,123	297,961	(2,162)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>182,229</u>	<u>182,229</u>	<u>297,961</u>	<u>115,732</u>
<i>Net change in fund balance</i>	-	-	147,101	147,101
<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>\$ 147,101</u>	<u>\$ 147,101</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

Town of Taos

2011 PPRF Street Improvement Reserve Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	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	-	-	-	-
Investment income (loss)	-	-	183	183
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>183</u>	<u>183</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>183</u>	<u>183</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(169,416)	-	169,416
Proceeds from issuance of debt	-	169,416	169,416	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>169,416</u>	<u>169,416</u>
<i>Net change in fund balance</i>	-	-	169,599	169,599
<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>\$ 169,599</u>	<u>\$ 169,599</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-21

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, 2012

	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	-	-	1,333	1,333
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	23,019	23,019
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>24,352</u>	<u>24,352</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	290,471	349,369	261,699	87,670
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	246,700	239,641	96,122	143,519
Debt service				
Principal	18,000	18,000	18,000	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>555,171</u>	<u>607,010</u>	<u>375,821</u>	<u>231,189</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(555,171)</u>	<u>(607,010)</u>	<u>(351,469)</u>	<u>255,541</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	217,744	234,196	-	(234,196)
Transfers in	337,427	433,314	433,314	-
Transfers out	-	(60,500)	-	60,500
<i>Total other financing sources (uses)</i>	<u>555,171</u>	<u>607,010</u>	<u>433,314</u>	<u>(173,696)</u>
<i>Net change in fund balance</i>	-	-	81,845	81,845
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>221,714</u>	<u>221,714</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,559</u>	<u>\$ 303,559</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-22

Town of Taos

Capital Projects Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	687,196	694,696	670,393	(24,303)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	81,914	89,299	79,913	(9,386)
State operating grants	-	-	17,130	17,130
State capital grants	172,889	172,889	7,993	(164,896)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	(5,022)	(5,022)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>941,999</u>	<u>956,884</u>	<u>770,407</u>	<u>(186,477)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	89,159	93,706	92,954	752
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	910,261	985,103	205,216	779,887
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>999,420</u>	<u>1,078,809</u>	<u>298,170</u>	<u>780,639</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(57,421)</u>	<u>(121,925)</u>	<u>472,237</u>	<u>594,162</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	589,636	553,188	-	(553,188)
Transfers in	105,235	211,735	76,231	(135,504)
Transfers out	(637,450)	(642,998)	(642,999)	(1)
Proceeds from issuance of bonds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>57,421</u>	<u>121,925</u>	<u>(566,768)</u>	<u>(688,693)</u>
<i>Net change in fund balance</i>	-	-	(94,531)	(94,531)
<i>Fund balance - beginning of year</i>	-	-	725,986	725,986
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,455</u>	<u>\$ 631,455</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-23

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, 2012

	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	1,243,260	1,243,260	435,688	(807,572)
State operating grants	-	-	-	-
State capital grants	31,247	35,732	12,651	(23,081)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,274,507</u>	<u>1,278,992</u>	<u>448,339</u>	<u>(830,653)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	532,011	536,995	231,440	305,555
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	777,363	777,363	226,899	550,464
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,309,374</u>	<u>1,314,358</u>	<u>458,339</u>	<u>856,019</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,867)</u>	<u>(35,366)</u>	<u>(10,000)</u>	<u>25,366</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	17,610	18,109	-	(18,109)
Transfers in	17,257	17,257	17,257	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,867</u>	<u>35,366</u>	<u>17,257</u>	<u>(18,109)</u>
<i>Net change in fund balance</i>	-	-	7,257	7,257
<i>Fund balance - beginning of year</i>	-	-	19,446	19,446
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,703</u>	<u>\$ 26,703</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-24

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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	-	-
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-25

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, 2012

	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	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	12,401	-	12,401
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	102,000	89,599	89,599	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>102,000</u>	<u>102,000</u>	<u>89,599</u>	<u>12,401</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(102,000)</u>	<u>(102,000)</u>	<u>(89,599)</u>	<u>12,401</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	81,034	31,034	-	(31,034)
Transfers in	20,966	70,966	70,966	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>102,000</u>	<u>102,000</u>	<u>70,966</u>	<u>(31,034)</u>
<i>Net change in fund balance</i>	-	-	(18,633)	(18,633)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>96,287</u>	<u>96,287</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,654</u>	<u>\$ 77,654</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-26

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, 2012

	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	650,000	650,000	15,000	(635,000)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	2,000	2,000	(852)	(2,852)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>652,000</u>	<u>652,000</u>	<u>14,148</u>	<u>(637,852)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	169,277	171,698	22,794	148,904
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	650,000	650,000	-	650,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>819,277</u>	<u>821,698</u>	<u>22,794</u>	<u>798,904</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(167,277)</u>	<u>(169,698)</u>	<u>(8,646)</u>	<u>161,052</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	167,277	169,698	-	(169,698)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>167,277</u>	<u>169,698</u>	<u>-</u>	<u>(169,698)</u>
<i>Net change in fund balance</i>	-	-	(8,646)	(8,646)
<i>Fund balance - beginning of year</i>	-	-	555,426	555,426
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,780</u>	<u>\$ 546,780</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-27

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, 2012

	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	500,000	500,000	-	(500,000)
State operating grants	-	-	-	-
State capital grants	889,135	297,215	-	(297,215)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	2,000	2,000	503	(1,497)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,391,135</u>	<u>799,215</u>	<u>503</u>	<u>(798,712)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	25,041	25,042	(1)
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	3,274,274	2,682,354	54,838	2,627,516
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,274,274</u>	<u>2,707,395</u>	<u>79,880</u>	<u>2,627,515</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,883,139)</u>	<u>(1,908,180)</u>	<u>(79,377)</u>	<u>1,828,803</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	89,937	89,937	-	(89,937)
Proceeds from issuance of debt	1,500,000	1,525,041	1,525,041	-
Transfers in	293,202	293,202	293,202	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,883,139</u>	<u>1,908,180</u>	<u>1,818,243</u>	<u>(89,937)</u>
<i>Net change in fund balance</i>	-	-	1,738,866	1,738,866
<i>Fund balance - beginning of year</i>	-	-	153,403	153,403
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,892,269</u>	<u>\$ 1,892,269</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

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, 2012

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,588,940	\$ 2,588,940	\$ 2,891,725	\$ 302,785
<i>Total operating revenues</i>	<u>2,588,940</u>	<u>2,588,940</u>	<u>2,891,725</u>	<u>302,785</u>
<i>Operating expenses</i>				
Personnel services	708,320	727,646	711,133	16,513
Contractual services	1,065,916	1,188,887	1,086,651	102,236
Supplies	178,085	256,505	190,678	65,827
Maintenance and materials	75,800	75,345	69,927	5,418
Utilities	336,110	347,066	329,415	17,651
Equipment	4,215,046	4,030,027	-	4,030,027
Depreciation	-	-	1,076,331	(1,076,331)
Miscellaneous	214,315	213,634	30,147	183,487
<i>Total operating expenses</i>	<u>6,793,592</u>	<u>6,839,110</u>	<u>3,494,282</u>	<u>3,344,828</u>
<i>Operating income (loss)</i>	<u>(4,204,652)</u>	<u>(4,250,170)</u>	<u>(602,557)</u>	<u>3,647,613</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	458,184	458,184	379,820	(78,364)
Interest expense	(142,635)	(142,635)	(132,281)	10,354
Interest income	28,530	28,530	1,205	(27,325)
Miscellaneous income	-	-	980	980
<i>Total non-operating revenues (expenses)</i>	<u>344,079</u>	<u>344,079</u>	<u>249,724</u>	<u>(94,355)</u>
Transfers	-	-	-	-
State and federal capital grants	3,112,555	3,112,555	2,452,263	(660,292)
<i>Change in net assets</i>	<u>\$ (748,018)</u>	<u>\$ (793,536)</u>	<u>2,099,430</u>	<u>\$ 2,892,966</u>
<i>Total net assets, beginning of year</i>			<u>23,022,826</u>	
<i>Total net assets, end of year</i>			<u>\$ 25,122,256</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-29

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, 2012

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 1,176,407	\$ 1,188,237	\$ 1,230,466	\$ 42,229
<i>Total operating revenues</i>	<u>1,176,407</u>	<u>1,188,237</u>	<u>1,230,466</u>	<u>42,229</u>
<i>Operating expenses</i>				
Personnel services	108,983	103,009	118,688	(15,679)
Contractual services	771,700	760,277	759,526	751
Supplies	3,525	7,602	7,602	-
Maintenance and materials	26,300	61,641	60,966	675
Utilities	267,080	268,360	231,322	37,038
Equipment	248,000	468,408	-	468,408
Depreciation	-	-	23,643	(23,643)
Miscellaneous	1,775	1,648	1,502	146
<i>Total operating expenses</i>	<u>1,427,363</u>	<u>1,670,945</u>	<u>1,203,249</u>	<u>467,696</u>
<i>Operating income (loss)</i>	<u>(250,956)</u>	<u>(482,708)</u>	<u>27,217</u>	<u>509,925</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	15,286	15,286	21,788	6,502
<i>Total non-operating revenues (expenses)</i>	<u>15,286</u>	<u>15,286</u>	<u>21,788</u>	<u>6,502</u>
Transfers	-	-	-	-
State and federal capital grants	-	-	-	-
<i>Change in net assets</i>	<u>\$ (235,670)</u>	<u>\$ (467,422)</u>	49,005	<u>\$ 516,427</u>
<i>Total net assets, beginning of year</i>			<u>1,379,309</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,428,314</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-30

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, 2012

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
	<i>Operating revenues</i>			
Charges for services	\$ 977,801	\$ 977,801	\$ 897,186	\$ (80,615)
<i>Total operating revenues</i>	<u>977,801</u>	<u>977,801</u>	<u>897,186</u>	<u>(80,615)</u>
<i>Operating expenses</i>				
Personnel services	349,027	286,496	271,302	15,194
Contractual services	263,177	254,362	336,701	(82,339)
Supplies	3,665	4,314	3,949	365
Maintenance and materials	119,550	130,647	113,379	17,268
Utilities	6,944	6,762	6,654	108
Equipment	451,475	421,073	-	421,073
Depreciation	-	-	188,331	(188,331)
Miscellaneous	169,810	171,796	6,265	165,531
<i>Total operating expenses</i>	<u>1,363,648</u>	<u>1,275,450</u>	<u>926,581</u>	<u>348,869</u>
<i>Operating income (loss)</i>	<u>(385,847)</u>	<u>(297,649)</u>	<u>(29,395)</u>	<u>268,254</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	(26,993)	(26,993)	(26,447)	546
Interest income	148	148	1,167	1,019
Miscellaneous income	65,791	65,791	2,846	(62,945)
<i>Total non-operating revenues (expenses)</i>	<u>38,946</u>	<u>38,946</u>	<u>(22,434)</u>	<u>(61,380)</u>
State and federal capital grants	366,073	366,073	-	(366,073)
State and federal operating grants	-	-	7,898	7,898
Transfers	-	-	-	-
<i>Change in net assets</i>	<u>\$ 19,172</u>	<u>\$ 107,370</u>	<u>(43,931)</u>	<u>\$ (159,199)</u>
<i>Total net assets, beginning of year</i>			<u>1,929,581</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,885,650</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
June 30, 2012

Schedule I
Page 1 of 2

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
US Bank					
Clearing Account	Checking	\$ 381,969	\$ -	\$ 381,969	\$ -
Judicial Bond Fund Municipal Court	Checking	1,269	313	-	1,582
Utility Construction Fund	Checking	39,530	-	-	39,530
Water & Sewer System Income Fund	Checking	3,210,215	48,368	593	3,257,990
Certificate of Deposit - Investment	CD	170,500	-	-	170,500
Total US Bank		<u>3,803,483</u>	<u>48,681</u>	<u>382,562</u>	<u>3,469,602</u>
Centinel Bank					
General Fund	Checking	1,885,624	6,941	-	1,892,565
Water/Wastewater Improvement Fund	Checking	454,595	-	57,863	396,732
Payroll Clearing	Checking	3	-	-	3
1994 GRT Revenue Bond Acquisition Fund	Checking	13,419	-	-	13,419
HUD Account - Domestic Violence Shelter	Checking	3,175	-	3,174	1
ACH Transfer Account	Checking	84,615	-	84,515	100
Total Centinel Bank		<u>2,441,431</u>	<u>6,941</u>	<u>145,552</u>	<u>2,302,820</u>
Bank of Albuquerque - Investments					
2001A Water & Sewer Revenue Bond Retirement	U.S. Treasury Mutual Fund	62,003	-	-	62,003
2004 Taos Regional Landfill Revenue Bond Reserve	U.S. Treasury Mutual Fund	137,877	-	-	137,877
2008A Taos Regional Landfill Debt Service	U.S. Treasury Mutual Fund	100,444	-	-	100,444
2008 Gross Receipts tax Revenue Bond Reserve	U.S. Treasury Mutual Fund	169,599	-	-	169,599
1999 Gasoline Tax Acquisition	U.S. Treasury Mutual Fund	1,500,355	-	-	1,500,355
2010a Phase I multi phased recreation park	U.S. Treasury Mutual Fund	181,559	-	-	181,559
Total Bank of Albuquerque		<u>2,151,837</u>	<u>-</u>	<u>-</u>	<u>2,151,837</u>
New Mexico Finance Authority - Investments					
2007 NMFA Land Purchase	State Treasurer Debt Service	32	-	-	32
2004 Taos Regional Landfill Revenue Bond Reserve	State Treasurer Debt Service	168	-	-	168
2008A Taos Regional Landfill Debt Service	State Treasurer Debt Service	357	-	-	357
2010 Phase II Wastewater Treatment Plant Rehab	State Treasurer Debt Service	7	-	-	7
2010 Phase I Multi-phased Rec. Park	State Treasurer Debt Service	243	-	-	243
1999 Gasoline Tax Acquisition	State Treasurer Debt Service	2	-	-	2
Total New Mexico Finance Authority		<u>809</u>	<u>-</u>	<u>-</u>	<u>809</u>
Total		<u>\$8,397,560</u>	<u>\$ 55,622</u>	<u>\$ 528,114</u>	7,925,068
New Mexico State Treasurer Local Government Investment Pool					4,651,769
Add: petty cash					1,450
Total deposits and investments					<u>\$ 12,578,287</u>

See independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Deposit and Investment Accounts
June 30, 2012

Deposits and investments per financial statements:	
Cash and cash equivalents - Exhibit A-1	\$ 4,658,195
Investments - Exhibit A-1	4,762,269
Restricted cash and cash equivalents - Exhibit A-1	937,443
Restricted investments- Exhibit A-1	2,152,646
Fiduciary funds cash and cash equivalents and investments - Exhibit E-1	<u>67,734</u>
Total deposits and investments	<u><u>\$ 12,578,287</u></u>

STATE OF NEW MEXICO

Schedule II

Town of Taos

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2012

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market/Par Value at June 30, 2012</u>	<u>Location of Safekeeper</u>
US Bank					
	FNMA	8/1/2025	31410K7E8	\$ 521,321	Federal Home Loan Bank, Dallas, TX
	GNMA REMIC 2010-45KA	5/16/2035	38376X7G2	<u>3,603,695</u>	Federal Home Loan Bank, Dallas, TX
				<u>4,125,016</u>	
Centinel Bank					
	FNMA	11/1/2019	31371LXX2	605,259	Independent Bankers Bank, Dallas TX
	FHLB	4/17/2014	31331GTJ8	780,393	Independent Bankers Bank, Dallas TX
	Ruidoso SD GO	8/1/2021	781338HR2	250,000 *	Independent Bankers Bank, Dallas TX
				<u>1,635,652</u>	
Total Pledged Collateral				<u>\$ 5,760,668</u>	

* As per NMSA 2.2.2.10 (N) (4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be par value.

See independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<i>Assets</i>				
Cash	\$ 10,582	\$ 21,443	\$ 24,291	\$ 7,734
Investments	62,500	-	2,500	60,000
Total assets	<u>\$ 73,082</u>	<u>\$ 21,443</u>	<u>\$ 26,791</u>	<u>\$ 67,734</u>
<i>Liabilities</i>				
Deposits payable	\$ 71,335	\$ 8,180	\$ 12,338	\$ 67,177
Due to other entities	1,747	8,833	10,023	557
Total liabilities	<u>\$ 73,082</u>	<u>\$ 17,013</u>	<u>\$ 22,361</u>	<u>\$ 67,734</u>

See independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Joint Powers Agreements
June 30, 2012

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 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, 2012, which collectively comprise the Town’s basic financial statements as listed in the table of contents, and have issued our report thereon dated November 27, 2012. We also have audited the financial statements of each of the Town’s nonmajor governmental funds and budgetary comparisons for the proprietary funds, 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, 2012 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

Management of the Town is responsible for establishing and maintaining effective 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items FS 2010-01 and FS 2012-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items FS 2011-01 and FS 2012-02.

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 27, 2012

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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 Town of Taos, New Mexico's ("the Town") compliance 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, 2012. 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, 2012.

Internal Control Over Compliance

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 identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the 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 27, 2012

STATE OF NEW MEXICO
Town of Taos
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor or Pass-Through Grantor/ Program Title	CFDA Number	Federal Grant Number	Federal Expenditures
U.S. Department of Justice			
Taos County Juvenile Justice	16.523	11-690-12421-3	\$ 130,990
U.S. Department of Housing & Urban Development Passed Through the State of New Mexico, Department of Finance & Administration			
Community Development Block Grant	14.228	10-C-NR-I-01-G-27	300,000
Community Against Violence (1)	14.235	NM02B601005	150,000
Total U.S. Department of Housing & Urban Development			<u>450,000</u>
U.S. Department of Transportation			
Federal Aviation Administration (FAA)			
Airport Improvements Program - EIS Phase 3A	20.106	3-35-0041-021-2009	438,393
Federal Transportation Administration (FTA) Federal Assistance-ARRA	20.509	69-8350-0-7-401	4,494
Federal Transportation Administration (FTA) - Capital Investment Grants	20.500	NM-03-0041	7,385
Total U.S. Department of Transportation			<u>450,272</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>931,709</u>
U.S. Department of Energy			
ARRA Conservation Block Grant	81.128	11-690-12422	<u>48,378</u>
Total Federal Financial Assistance			<u><u>\$ 2,011,349</u></u>

(1) Denotes Major Federal Financial Assistance Program

See independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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 \$36,000 to U.S. Department of Agriculture and \$222,000 to the Rural Utilities Service as of June 30, 2012.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,011,349
Total expenditures funded by other sources	<u>13,521,859</u>
Total expenditures	<u>\$ 15,533,208</u>

See independent auditors' report

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
June 30, 2012

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? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | 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
14.235	Community Against Violence
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 |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

2010-01	Design Deficiencies in Internal Control over Financial Reporting	Repeated and Modified
2011-01	Noncompliance of Town Policy	Repeated and Modified

Section III – Financial Statement Findings and Questioned Costs

FS 2010-01 Design Deficiencies in Internal Control over Financial Reporting (Significant Deficiency)

Condition: During our internal control evaluations, we noted the following deficiencies:

- Management and the board of governance have not established practices for monitoring processes.
- Unable to recalculate utility billing due to missing documentation in regards to agreement with customer.
- During our review of annual leave and timesheet hours, we noted there is not review, oversight, or monitoring process of employees leave cards and leave balances and hours worked.

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.

- (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.

FS 2010-01 Design Deficiencies in Internal Control over Financial Reporting (Significant Deficiency) (continued)

(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 in all departments.

Auditors' Recommendations: The Town should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented for each department. 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: The Town is finalizing its update of its internal Accounting Manual along with other related policies and procedures. A three-member Audit Committee has been formally established by the Council that will include a member from the Council and a representative from a local financial institution and business owner to assist the Town in reviewing its reports, internal controls, and financial management policies and procedures. Management has also started the practice of presenting to the Council at its regular public meetings a detailed Financial Performance Report on a monthly basis.

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

Condition: During our testwork of personal use of vehicles, it was noted that one employee of the Town is allowed to take a marked vehicle home beyond the 30 mile range set forth in the Town's policy. In addition, the Town does not have a process in place to determine the usage of the vehicle outside of the Town's limits is strictly limited to commuting. The Town's policy does not address usage outside the Town's limits or prohibit personal use and any use of the vehicle outside the Town's limits that is personal would be considered taxable income.

Criteria: 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 limits.

Effect: Because the internal policy structure is not followed, management and staff are unable to prevent unauthorized travel and the Town may not be properly taxing personal usage of its vehicles.

Cause: 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.

Auditors' Recommendations: We recommend that 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. The Town Manager has issued a directive to the Human Resources Director and Police Chief acknowledging the exceptions that were made in the past making clear that from now on under no circumstances may a car be issued to any police officer who lives 30 or more miles (actual driven miles) from the Town limits. The Town Manager has also directed the Finance Department to review the police car mileage logs periodically to ensure that the vehicles do not exceed the allotted home-work mileage allowance. The Town will review its take-home car policy to reduce the number of vehicles driven home by the police officers by instituting a standard shared-vehicle pool.

FS 2012-01 Weakness in Design Related to Internal Controls Over Receipts (Significant Deficiency)

Condition: During our inquiry and observation of the Town's landfill, it was noted that there was a lack of internal control in regards to cash collection processes.

Criteria: According to NMSA 6-10-2 Public money; cash books; daily balance; public record, it is the duty of every public official or agency of this state the receives or disburses public money to maintain a cash record in which it is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.

Effect: Because these departments collect public funds in multiple forms including cash, misappropriation of assets can occur.

Cause: Management and those in charge of governance have not developed a formal monitoring or risk assessment process for all departments.

Auditors' Recommendations: We recommend the Town implement a review process of all departments and assess risks associated. Furthermore, develop an internal control process to mitigate the risk of fraud or misappropriation of assets.

Agency's Response: Management agrees with the auditors' recommendations and will institute a review process of all departments and assess risks associated, including developing an internal control process to mitigate the risk of fraud or misappropriation of assets. The Town has installed a credit card payment machine at the landfill to reduce cash payments. The Town will also immediately change its procedures for receiving cash payments at the landfill to guard against the mishandling of cash by linking customer counts to receipts.

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Questioned Costs
June 30, 2012

FS 12-02 Cash Appropriations in Excess of Available Cash Balances (Other Matter)

Condition: The Town maintained a deficit budget in excess of available cash balances in the following funds:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriation in excess of available</u>
1999 Gasoline Tax Revenue Bond Retirement Debt Service Fund	\$ 220,540	\$ 197,584	\$ 22,956
Facilities Improvements Capital Projects Fund	234,196	231,665	2,531

Criteria: Section 2.2.2.10. (P) (1), NMAC, requires all Town funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the Department of Finance and Authority for approval. Cash balances rebudgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect: The Town will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The Town does not have internal controls in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Auditors' Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Agency's Response: Management agrees with the auditors' recommendations in future years will be reviewed to insure all funds have adequate budget authority and sufficient balances. The Town has also instituted the practice of reporting to the Council on a monthly basis its projected year-end balances to detect potential excesses in time for them to be addressed.

FINDINGS – FEDERAL AWARDS

None

STATE OF NEW MEXICO

Town of Taos
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 27, 2012. In attendance were the following:

Representing the Town of Taos:

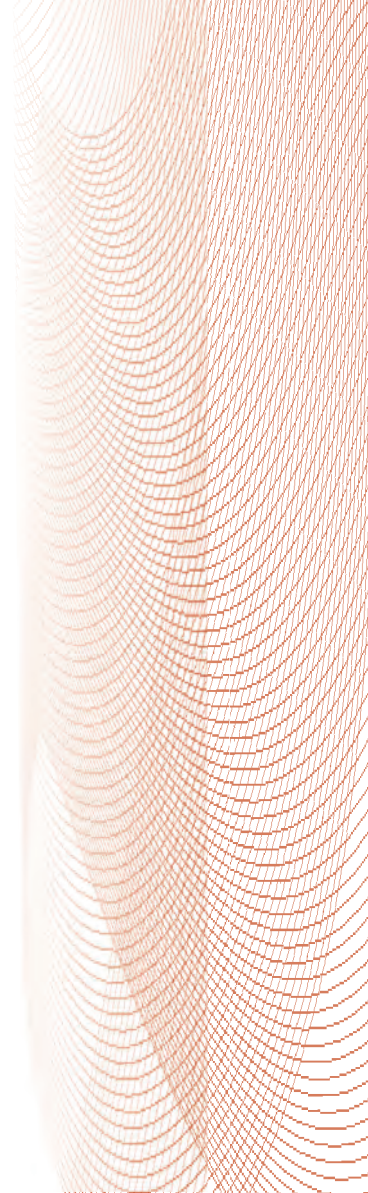
Darren Cordova	Mayor
Frederick Peralta	Councilor
Oscar Rodriguez	Town Manager
Abigail Adame	Assistant Town Manager
Marietta Fambro	Finance Director

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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