



TOWN OF TAOS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

Town of Taos

June 30, 2018

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**STATE OF NEW MEXICO**

Town of Taos

Official Roster

June 30, 2018

**Town Council**

<b><u>Name</u></b>	<b><u>Title</u></b>
Daniel Barrone	Mayor
Nathaniel Evans	Town Councilor
Darien D. Fernandez	Town Councilor
George "Fritz" Hahn	Town Councilor
Pascualito Maestas	Town Councilor

**Administration**

Richard Bellis	Town Manager
Marietta Fambro	Finance Director
Francella Garcia	Town Clerk
Richard Chavez	Municipal Judge
Stephen Ross	Town Attorney

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Town Council  
Town of Taos  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Taos, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Town of Taos (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## 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, the aggregate remaining fund information, and the budgetary comparison of the General Fund and major special revenue fund of the Town, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12 through 20 and Schedules A-1 through B-2 and the notes to the Required Supplementary Information on pages 86 through 101 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 inquiries 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Supporting Schedules I through III required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements

The combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through III required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, and Supporting Schedules I through III required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 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* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC  
Albuquerque, New Mexico  
December 5, 2018

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**STATE OF NEW MEXICO**  
Town of Taos  
Management's Discussion and Analysis  
June 30, 2018

We are pleased to present the Town of Taos's financial statements for the fiscal year ended June 30, 2018. Management's discussion and analysis of these statements is also provided to help the reader fully understand 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 \$82,792,482 (*net position*). Of this amount, (\$6,532,977) is (*unrestricted net position*), due to the on-going implementation of GASB Statement No. 68 and the implementation of GASB Statement No. 75. The current year OPEB Liability is the underlying factor of this negative unrestricted net position. GASB Statement No. 75 is reflected on the financial statements for the first time in the history of the Town and GASB Statement No. 68 is reflected on the financial statements for the fourth time in the history of the Town and other governmental entities throughout the entire state. Even though ending the year with this negative amount, the Town has at this time the available cash balances to meet the government's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$3,008,901 during the fiscal year. The majority of this overall increase was due to increases in charges for services, capital grants (again this year is due mainly to the Airport Runway Construction project) and taxes.
- As of June 30, 2018, the Town's governmental activities reported a combined ending net position balance of \$56,523,553. Of this total, \$5,852,733 is designated for special revenue, debt service and capital projects.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$4,061,879, amounting to 40 percent of total general fund expenditures.
- The Town of Taos' total debt had a net decrease of \$1,480,143 during the year due to scheduled principal payments being paid, the retirement of a NMFA Series 2008A loan for landfill construction, and the early retirement of two Revenue Bonds for water and sewer and one NMFA loan for water and sewer improvements. The early retirement of these three loans saved taxpayers over \$150,000 of interest and was a contributing factor to the net decrease of debt. Compensated absences increased by \$76,792 from last fiscal year due to filling of vacant positions and less leave taken during the year. The Town paid \$1,081,857 towards the principal of various of its government 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 position* presents information on all of the Town of Taos' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator regarding whether or not the financial position of the Town of Taos is improving or deteriorating.

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The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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.

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

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

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

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

The basic governmental fund financial statements can be found in Exhibits B-1 through C-2 of this report.

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**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 44-83 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 108-113 of this report.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of Net Position**

As noted earlier, the net of assets over liabilities, otherwise known as net position, 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 \$82,792,482 at the close of the current fiscal year.

The significant portion of the Town of Taos' net position represents the Town's investment of \$82,371,908 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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 11,582,527	\$ 8,512,129	\$ 20,094,656
Restricted cash, cash equivalents & investments	363,048	1,336,700	1,699,748
Restricted investments	-	75,400	75,400
Bond issuance costs and discount	-	-	-
Capital assets, net of accumulated depreciation	66,787,137	25,676,205	92,463,342
Total assets	<u>78,732,712</u>	<u>35,600,434</u>	<u>114,333,146</u>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred Outflows - pension	2,322,758	195,271	2,518,029
Deferred Outflows - OPEB	98,369	13,339	111,708
Total deferred outflows of resources	<u>2,421,127</u>	<u>208,610</u>	<u>2,629,737</u>
Total assets and deferred outflows of resources	<u>\$ 81,153,839</u>	<u>\$ 35,809,044</u>	<u>\$ 116,962,883</u>
<b><u>Liabilities</u></b>			
Current Liabilities	\$ 2,036,492	\$ 1,756,309	\$ 3,792,801
Non-current liabilities	20,040,725	7,436,263	27,476,988
Total liabilities	<u>22,077,217</u>	<u>9,192,572</u>	<u>31,269,789</u>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred Inflows - pension	1,398,787	191,021	1,589,808
Deferred Inflows - OPEB	1,154,282	156,522	1,310,804
Total deferred inflows of resources	<u>2,553,069</u>	<u>347,543</u>	<u>2,900,612</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	61,076,960	21,294,948	82,371,908
Restricted	5,852,733	1,100,818	6,953,551
Unrestricted	(10,406,140)	3,873,163	(6,532,977)
Total net position	<u>\$ 56,523,553</u>	<u>\$ 26,268,929</u>	<u>\$ 82,792,482</u>
Total Liabilities and Net Position	<u>\$ 81,153,839</u>	<u>\$ 35,809,044</u>	<u>\$ 116,962,883</u>

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Town of Taos  
Management's Discussion and Analysis  
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A portion of the Town of Taos' governmental restricted net position of \$5,852,733 (10 percent) represents resources that are subject to restrictions related to covenants arising from the Town's long-term debt issuance and capital projects. The remaining balance of *unrestricted net position*, (\$10,406,140) previously stated, continue to fall to a negative due to the implementation of GASB Statement 68 and now the implementation of GASB Statement 75. In the previous year, this amount was (\$4,002,930), the last three years of implementation of GASB Statement 68 and updates on what goes into the calculations. Taking that negative into consideration the Town still has the available cash 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 position for both governmental and business-type activities.

**Analysis of Changes in Net Position**

The Town's net position increased by \$3,008,901 during the fiscal year. This increase is primarily the result of increased operating and capital grants, and gross receipts taxes during the fiscal year. The Airport Runway project is the main contributing factor along with the Improvements to the Youth and Family Center, which were both completed in the current fiscal year.

<b>Revenues</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Program revenues:			
Charges for service	\$ 945,505	\$ 6,424,535	\$ 7,370,040
Operating grants and contributions	1,231,692	-	1,231,692
Capital grants and contributions	5,139,840		5,139,840
General revenues:			
Property taxes, levied for general purposes	1,015,766	-	1,015,766
Gross receipts taxes	10,878,393	487,819	11,366,212
Gasoline, franchise and motor vehicle	735,742	-	735,742
Lodger's Taxes	1,189,436	-	1,189,436
Interest income (loss)	45,741	10,331	56,072
Miscellaneous income	120,807	16,806	137,613
Transfer to other entity	-		-
Loss on disposal of capital assets	-	-	-
Total Revenues	21,302,922	6,939,491	28,242,413
Program expenses:			
General government	\$ 9,653,694	\$ -	\$ 9,653,694
Public safety	3,549,246	-	3,549,246
Public works	1,468,219	-	1,468,219
Culture and recreation	2,981,746	-	2,981,746
Health and welfare	19,600	-	19,600
Interest and other costs	219,338	-	219,338
Joint water and sewer	-	4,832,730	4,832,730
Solid waste	-	1,402,020	1,402,020
Taos Regional Landfill	-	1,106,919	1,106,919
Total Expenses	17,891,843	7,341,669	25,233,512
Change in net position	3,411,079	(402,178)	3,008,901
Net Position, beginning	59,136,716	27,488,004	86,624,720
Net Position, restatement (Note 16)	(6,024,242)	(816,897)	(6,841,139)
Net Position, beginning as restated	53,112,474	26,671,107	79,783,581
Net Position, ending	\$ 56,523,553	\$ 26,268,929	\$ 82,792,482



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**Governmental activities.** Governmental activities increased the Town of Taos' net position by \$3,411,079 primarily as the result of increase in operating and capital grants and (as previously stated the Airport Runway project and the Youth and Family Center Improvements) and gross receipts taxes.

Tax revenues account for \$13,819,337 or 65 percent of governmental revenues. Tax revenues are made up of property, gross receipts, gasoline and motor vehicle and other taxes.

The General fund received the majority of the Town's program revenue, accounting for \$11,620,567 or 55 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 \$945,505 or 4 percent of total governmental revenues. These charges are for fees, fines and forfeitures, and licenses and permits.

**Business-type activities.** Business-type activities decreased the Town's net position by \$402,178, primarily as the result of higher expenditures for operations.

The Town's direct charges to users of business-type services made up \$6,424,535 or 93 percent of total business-type revenues. These charges are for water and sewer services, water and sewer connection fees, landfill tipping fees and solid waste services. These direct charges for service increased by \$254,305 from the previous year, primarily as the result of the CIP increase. Even though revenues were up, expenditures exceeded revenues in the joint water and sewer program which contributed to the decrease in the net position. The Town still continues looking at the joint water and sewer program in ways to reduce expenditures, such as refunding of debt service and analysis of direct cost of employees expensed to the program.

#### **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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

Revenues for governmental functions overall totaled approximately \$21,289,491 in the fiscal year ended June 30, 2018, which represents an decrease of \$5,996,577 from the fiscal year ended June 30, 2017. This is largely due to the decrease in federal and state capital grants. Expenditures for governmental functions, totaling \$20,953,718 decreased by approximately \$6,154,134 from the fiscal year ended June 30, 2017. This is largely due to the decrease in expenditures for public works and capital outlay due to several infrastructure projects being completed in last fiscal with the balance of only the (Airport Runway Construction) fully completed this fiscal year. In the fiscal year ended June 30, 2018, revenues for governmental functions exceeded expenditures by approximately \$335,773.

The General Fund is the chief operating fund of the Town of Taos. It is from here that the Town pays for 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 \$4,061,879 along with a minimum fund balance of \$841,558.

Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2018 of \$1,521,869 a decrease of \$134,862 over the comparable figure from the prior year of \$1,656,731. The Town's overall financial position improved with continued music venue and community events for tourists and locals alike bringing in additional gross receipts tax.

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**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 position for enterprise funds were \$3,873,163. The total decrease in net position for the enterprise funds was (\$402,178) compared to (\$438,947) from the prior year, but with a total net position restatement (Note 16) implementation of GASB Statement No. 75 of (\$816,897). This was due to a few large maintenance expenditures and operating costs along with continued funding of our current asset management plan along with the other items previously addressed 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.

**General Fund Budgetary Highlights**

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

The following table examines the summary budget performance of the general fund for the fiscal year ending June 30, 2018. 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 amendments that were made during the fiscal year and the increase of expenditures. Actual general fund expenditures were \$5,542 less than budgeted. This year we made major adjustments at mid-year to fund certain capital needs in the Police Department from vacancy savings.

	Budget Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variance
	Original	Final		
<i>Expenditures:</i>				
General government	\$ 4,843,513	\$ 4,288,012	\$ 4,170,719	\$ 117,293
Public safety	3,548,026	3,094,639	3,162,021	(67,382)
Public works	1,237,525	1,096,702	1,106,568	(9,866)
Culture and recreation	1,843,384	1,624,887	1,659,390	(34,503)
Capital outlay	-	-	-	-
<i>Total Expenditures</i>	<u>\$ 11,472,448</u>	<u>\$ 10,104,240</u>	<u>\$ 10,098,698</u>	<u>\$ 5,542</u>

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June 30, 2018

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Taos' capital assets for its governmental and business-type activities as of June 30, 2018 amount to \$92,463,342 (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 increased \$2,809,287 for governmental activities and decreased \$1,313,128 for business-type activities (net of accumulated depreciation).

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

- \$6,862,593 of additions to governmental infrastructure and equipment/vehicles for completion and/or purchase of the following – Airport Runway Improvements final construction, Resurfacing of La Posta, Liebert, Dolan, Montoya & Camino de Medio Roads, Youth & Family Center Improvements Phase II, 3 Portable Restrooms, and 2 police units.
- \$618,734 of additions to the business-type infrastructure and equipment of the following – Water System Improvements and new compactor for the Taos Regional Landfill.

	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Land	\$ 6,615,288	\$ 262,422	\$ 6,877,710
Constuction in progress	369,610	21,447	391,057
Land improvements	7,461,945	104,895	7,566,840
Buildings and improvements	35,637,895	4,656,981	40,294,876
Machinery and Equipment	16,171,287	9,646,954	25,818,241
Infrastructure	<u>83,620,357</u>	<u>38,382,664</u>	<u>122,003,021</u>
Total capital assets	<u>149,876,382</u>	<u>53,075,363</u>	<u>202,951,745</u>
Less: accumulated depreciation	<u>(83,089,245)</u>	<u>(27,399,158)</u>	<u>(110,488,403)</u>
Total property, plant and equipment, net of accumulated depreciation	<u>\$ 66,787,137</u>	<u>\$ 25,676,205</u>	<u>\$ 92,463,342</u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Management's Discussion and Analysis  
June 30, 2018

**Debt Administration.** At the end of the current fiscal year, the Town of Taos had total long-term obligations outstanding of \$12,545,609. As stated in the Financial Highlights the Town retired one schedule loan for landfill and three early retirement for our water and sewer revenue bonds/loan. In total we decreased our outstanding debt by \$1,480,143 from the previous fiscal year. The Town continues to look at options at either paying off early or refinancing those loans with higher interest rates and low balances to further reduce our outstanding debt.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue Bonds	\$ 3,675,000	\$ 1,657,600	\$ 5,332,600
NMFA and RUS Loans	2,003,692	2,723,657	4,727,349
USDA Contract Payable	-	-	-
Compensated absences	676,294	96,436	772,730
Landfill Closure Liability	-	1,712,930	1,712,930
	<u>\$ 6,354,986</u>	<u>\$ 6,190,623</u>	<u>\$ 12,545,609</u>
Total long-term liabilities	<u>\$ 6,354,986</u>	<u>\$ 6,190,623</u>	<u>\$ 12,545,609</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.

**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.

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Net Position  
June 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 6,473,528	\$ 5,853,589	\$ 12,327,117
Investments	2,412,104	1,596,460	4,008,564
Receivables:			
Property taxes	169,677	-	169,677
Taxes receivable	1,991,436	75,684	2,067,120
Due from other governments	358,279	-	358,279
Customer receivable, net	-	996,712	996,712
Inventory	133,193	33,994	167,187
Internal balances	44,310	(44,310)	-
<i>Total current assets</i>	<u>11,582,527</u>	<u>8,512,129</u>	<u>20,094,656</u>
Noncurrent assets			
Restricted cash and cash equivalents	363,048	1,336,700	1,699,748
Restricted investments	-	75,400	75,400
Capital assets	149,876,382	53,075,363	202,951,745
Less: accumulated depreciation	<u>(83,089,245)</u>	<u>(27,399,158)</u>	<u>(110,488,403)</u>
<i>Total noncurrent assets</i>	<u>67,150,185</u>	<u>27,088,305</u>	<u>94,238,490</u>
<i>Total assets</i>	<u>78,732,712</u>	<u>35,600,434</u>	<u>114,333,146</u>
<b>Deferred outflows of resources</b>			
Deferred outflows- pension	2,322,758	195,271	2,518,029
Deferred outflows- OPEB	<u>98,369</u>	<u>13,339</u>	<u>111,708</u>
<i>Total deferred outflows of resources</i>	<u>2,421,127</u>	<u>208,610</u>	<u>2,629,737</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 81,153,839</u>	<u>\$ 35,809,044</u>	<u>\$ 116,962,883</u>

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 616,121	\$ 941,599	\$ 1,557,720
Accrued payroll	287,808	39,669	327,477
Accrued compensated absences	328,626	60,833	389,459
Deposits held in trust for others	5,103	311,282	316,385
Accrued interest	21,582	65,275	86,857
Current portion of bonds and notes payable	777,252	337,651	1,114,903
<i>Total current liabilities</i>	<u>2,036,492</u>	<u>1,756,309</u>	<u>3,792,801</u>
Noncurrent liabilities			
Accrued compensated absences	347,668	35,603	383,271
Bond premiums, net of accumulated amortization of \$39,357	31,485	-	31,485
Bonds payable	3,275,000	1,657,600	4,932,600
Loans and notes payable	1,626,440	2,386,006	4,012,446
Landfill closure and post-closure	-	1,712,930	1,712,930
Net pension liability	9,688,544	956,408	10,644,952
Net OPEB liability	5,071,588	687,716	5,759,304
<i>Total noncurrent liabilities</i>	<u>20,040,725</u>	<u>7,436,263</u>	<u>27,476,988</u>
<i>Total liabilities</i>	<u>22,077,217</u>	<u>9,192,572</u>	<u>31,269,789</u>
<b>Deferred inflows of resources</b>			
Deferred inflows- pension	1,398,787	191,021	1,589,808
Deferred inflows- OPEB	1,154,282	156,522	1,310,804
<i>Total deferred inflows of resources</i>	<u>2,553,069</u>	<u>347,543</u>	<u>2,900,612</u>
<b>Net position</b>			
Net investment in capital assets	61,076,960	21,294,948	82,371,908
Restricted for:			
Debt service	856,292	-	856,292
Capital projects	2,251,585	-	2,251,585
Special revenue projects	2,744,856	-	2,744,856
Landfill	-	1,100,818	1,100,818
Unrestricted	<u>(10,406,140)</u>	<u>3,873,163</u>	<u>(6,532,977)</u>
<i>Total net position</i>	<u>56,523,553</u>	<u>26,268,929</u>	<u>82,792,482</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 81,153,839</u>	<u>\$ 35,809,044</u>	<u>\$ 116,962,883</u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Activities  
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 9,653,694	\$ 768,922	\$ 856,656	\$ -
Public safety	3,549,246	-	361,769	-
Public works	1,468,219	-	13,267	5,139,840
Culture and recreation	2,981,746	176,583	-	-
Health and welfare	19,600	-	-	-
Interest and other costs	219,338	-	-	-
<i>Total governmental activities</i>	<u>17,891,843</u>	<u>945,505</u>	<u>1,231,692</u>	<u>5,139,840</u>
<b>Business-type Activities:</b>				
Water and Sewer	4,832,730	3,626,433	-	-
Solid Waste	1,402,020	1,399,857	-	-
Taos Regional Landfill	1,106,919	1,398,245	-	-
<i>Total business-type activities</i>	<u>7,341,669</u>	<u>6,424,535</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 25,233,512</u>	<u>\$ 7,370,040</u>	<u>\$ 1,231,692</u>	<u>\$ 5,139,840</u>

**General Revenues:**

Taxes:

  Gross receipts taxes

  Property taxes, levied for general purposes

  Gasoline, franchise and motor vehicle

  Lodger's taxes

Investment income

Miscellaneous revenue

Total general revenues

Change in net position

Net position, beginning

Net position, restatement (note 16)

Net position, as restated

Net position, ending

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



**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (8,028,116)	\$ -	\$ (8,028,116)
(3,187,477)	-	(3,187,477)
3,684,888	-	3,684,888
(2,805,163)	-	(2,805,163)
(19,600)	-	(19,600)
(219,338)	-	(219,338)
<u>(10,574,806)</u>	<u>-</u>	<u>(10,574,806)</u>
-	(1,206,297)	(1,206,297)
-	(2,163)	(2,163)
-	291,326	291,326
<u>-</u>	<u>(917,134)</u>	<u>(917,134)</u>
<u>(10,574,806)</u>	<u>(917,134)</u>	<u>(11,491,940)</u>
10,878,393	487,819	11,366,212
1,015,766	-	1,015,766
735,742	-	735,742
1,189,436	-	1,189,436
45,741	10,331	56,072
120,807	16,806	137,613
<u>13,985,885</u>	<u>514,956</u>	<u>14,500,841</u>
<u>3,411,079</u>	<u>(402,178)</u>	<u>3,008,901</u>
59,136,716	27,488,004	86,624,720
(6,024,242)	(816,897)	(6,841,139)
<u>53,112,474</u>	<u>26,671,107</u>	<u>79,783,581</u>
<u>\$ 56,523,553</u>	<u>\$ 26,268,929</u>	<u>\$ 82,792,482</u>

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

**STATE OF NEW MEXICO**

Town of Taos  
Balance Sheet  
Governmental Funds  
June 30, 2018

	<b>General Fund</b>	<b>Lodgers' Tax Special Revenue Fund</b>	<b>Airport Construction Capital Projects Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,732,468	\$ 421,241	\$ 248,397
Investments	883,748	-	-
Receivables:			
Property taxes	169,677	-	-
Taxes receivable	1,590,555	120,684	-
Due from other governments	3,589	21,951	143,478
Inventory	129,905	3,288	-
Due from other funds	81,408	-	-
<i>Total assets</i>	<u>\$ 5,591,350</u>	<u>\$ 567,164</u>	<u>\$ 391,875</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<i>Liabilities</i>			
Accounts payable	\$ 157,380	\$ 116,235	\$ 177,257
Accrued payroll	270,942	13,378	-
Deposits held in trust for others	-	-	-
Due to other funds	800	-	-
<i>Total liabilities</i>	<u>429,122</u>	<u>129,613</u>	<u>177,257</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	128,886	-	-
<i>Total deferred inflows of resources</i>	<u>128,886</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	129,905	3,288	-
Spendable:			
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	-	434,263	-
Health and welfare	-	-	-
Transportation and roads	-	-	-
Capital improvements	-	-	214,618
Debt service	-	-	-
Committed to:			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Transportation and roads	-	-	-
Capital improvements	-	-	-
Minimum fund balance	841,558	-	-
Unassigned	4,061,879	-	-
<i>Total fund balances</i>	<u>5,033,342</u>	<u>437,551</u>	<u>214,618</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 5,591,350</u>	<u>\$ 567,164</u>	<u>\$ 391,875</u>

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

<b>1999 Gasoline Tax Acquisition Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 735,906	\$ 2,698,564	\$ 6,836,576
101,424	1,426,932	2,412,104
-	-	169,677
-	280,197	1,991,436
-	189,261	358,279
-	-	133,193
-	800	82,208
<u>\$ 837,330</u>	<u>\$ 4,595,754</u>	<u>\$ 11,983,473</u>
\$ -	\$ 165,249	\$ 616,121
-	3,488	287,808
-	5,103	5,103
-	37,098	37,898
<u>-</u>	<u>210,938</u>	<u>946,930</u>
-	-	128,886
<u>-</u>	<u>-</u>	<u>128,886</u>
-	-	133,193
-	284,475	284,475
-	622,757	622,757
-	19,038	453,301
-	1	1
-	15,297	15,297
837,330	771,045	1,822,993
-	397,103	397,103
-	113,416	113,416
-	9,828	9,828
-	25,935	25,935
-	339,020	339,020
-	1,789,224	1,789,224
-	-	841,558
-	(2,323)	4,059,556
<u>837,330</u>	<u>4,384,816</u>	<u>10,907,657</u>
<u>\$ 837,330</u>	<u>\$ 4,595,754</u>	<u>\$ 11,983,473</u>

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

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**STATE OF NEW MEXICO**  
Town of Taos  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2018

Exhibit B-1  
Page 2 of 2

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

Fund balances - total governmental funds	\$ 10,907,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	66,787,137
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	128,886
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows- pension	2,322,758
Deferred outflows- OPEB	98,369
Deferred inflows- pension	(1,398,787)
Deferred inflows- OPEB	(1,154,282)
Certain liabilities, including loans and bonds payable and related components, accrued interest, current and long-term portions of accrued compensated absences, and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Loans and bonds payable	(5,678,692)
Bond premiums	(31,485)
Accrued interest	(21,582)
Accrued compensated absences	(676,294)
Net pension liability	(9,688,544)
Net OPEB liability	(5,071,588)
	(26,517,525)
<i>Net position of governmental activities</i>	<u><u>\$ 56,523,553</u></u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Lodgers' Tax Special Revenue Fund</u>	<u>Airport Construction Capital Projects Fund</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 1,002,335	\$ -	\$ -
Gross receipts taxes	9,171,021	-	-
Gasoline, franchise, and motor vehicle	625,973	-	-
Lodger's tax	-	1,189,436	-
Intergovernmental:			
Federal operating grants	2,608	-	-
Federal capital grants	-	-	4,168,353
State operating grants	90,000	-	-
State capital grants	-	-	317,140
Charges for services	96,063	108,449	-
Licenses and fees	538,705	276	-
Investment income	27,296	-	-
Miscellaneous	66,566	7,100	-
<i>Total revenues</i>	<u>11,620,567</u>	<u>1,305,261</u>	<u>4,485,493</u>
<i>Expenditures</i>			
Current:			
General government	4,170,719	-	-
Public safety	3,162,021	-	-
Public works	1,106,568	-	-
Culture and recreation	1,659,390	983,425	-
Capital outlay	-	38,445	4,613,381
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>10,098,698</u>	<u>1,021,870</u>	<u>4,613,381</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,521,869</u>	<u>283,391</u>	<u>(127,888)</u>
<i>Other financing sources (uses)</i>			
Transfers in	5,456,859	793,820	-
Transfers (out)	(6,829,883)	(991,026)	-
<i>Total other financing sources (uses)</i>	<u>(1,373,024)</u>	<u>(197,206)</u>	<u>-</u>
<i>Net change in fund balance</i>	148,845	86,185	(127,888)
<i>Fund balance - beginning of year</i>	<u>4,884,497</u>	<u>351,366</u>	<u>342,506</u>
<i>Fund balance - end of year</i>	<u>\$ 5,033,342</u>	<u>\$ 437,551</u>	<u>\$ 214,618</u>

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

<b>1999 Gasoline Tax Acquisition Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 1,002,335
-	1,707,372	10,878,393
-	109,769	735,742
-	-	1,189,436
-	730,489	733,097
-	574,010	4,742,363
-	408,595	498,595
57,530	22,807	397,477
-	68,134	272,646
-	133,878	672,859
1,272	17,173	45,741
11,895	35,246	120,807
<u>70,697</u>	<u>3,807,473</u>	<u>21,289,491</u>
-	1,211,278	5,381,997
-	234,094	3,396,115
-	28,495	1,135,063
-	138,484	2,781,299
1,078,486	1,548,257	7,278,569
-	753,231	753,231
-	227,444	227,444
<u>1,078,486</u>	<u>4,141,283</u>	<u>20,953,718</u>
<u>(1,007,789)</u>	<u>(333,810)</u>	<u>335,773</u>
1,002,283	2,659,455	9,912,417
-	(2,091,508)	(9,912,417)
<u>1,002,283</u>	<u>567,947</u>	<u>-</u>
(5,506)	234,137	335,773
<u>842,836</u>	<u>4,150,679</u>	<u>10,571,884</u>
<u>\$ 837,330</u>	<u>\$ 4,384,816</u>	<u>\$ 10,907,657</u>

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

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**STATE OF NEW MEXICO**

Town of Taos

Governmental Funds

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, 2018

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	\$	335,773
<p>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:</p>		
Capital outlay additions reported in capital outlay expenditures		7,287,641
Depreciation expense		(4,478,354)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in deferred inflows related to the property taxes receivable		13,431
<p>Governmental funds report Town pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:</p>		
Town pension contributions subsequent to measurement date		572,581
Pension expense		(912,699)
Town OPEB contributions subsequent to measurement date		98,369
OPEB expense		(201,628)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(65,372)
Decrease in accrued interest		5,135
<p>The issuance of long-term debt (e.g. bonds, notes, 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 position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Amortization of bond premiums		2,971
Principal payments on loans		753,231
		756,202
<i>Change in net position of governmental activities</i>	<b>\$</b>	<b>3,411,079</b>

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 Budgetary Basis) and Actual  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 1,031,310	\$ 1,031,310	\$ 1,002,335	\$ (28,975)
Gross receipts	9,051,845	9,356,696	9,171,021	(185,675)
Gasoline, franchise and motor vehicle	219,105	219,105	230,256	11,151
Other	378,101	378,101	395,717	17,616
Intergovernmental:				
Federal operating grants	-	-	2,608	2,608
State operating grants	90,000	90,000	90,000	-
Charges for services	115,679	115,679	96,063	(19,616)
Licenses and fees	558,133	558,133	538,705	(19,428)
Investment income	10,222	10,222	27,296	17,074
Miscellaneous	107,687	107,687	66,566	(41,121)
<i>Total revenues</i>	<u>11,562,082</u>	<u>11,866,933</u>	<u>11,620,567</u>	<u>(246,366)</u>
<i>Expenditures</i>				
Current:				
General government	4,843,513	4,288,012	4,170,719	117,293
Public safety	3,548,026	3,094,639	3,162,021	(67,382)
Public works	1,237,525	1,096,702	1,106,568	(9,866)
Culture and recreation	1,843,384	1,624,887	1,659,390	(34,503)
<i>Total expenditures</i>	<u>11,472,448</u>	<u>10,104,240</u>	<u>10,098,698</u>	<u>5,542</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>89,634</u>	<u>1,762,693</u>	<u>1,521,869</u>	<u>(240,824)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	269,360	618,994	-	(618,994)
Transfers in	4,917,620	5,456,859	5,456,859	-
Transfers (out)	(5,276,614)	(7,838,546)	(6,829,883)	1,008,663
<i>Total other financing sources (uses)</i>	<u>(89,634)</u>	<u>(1,762,693)</u>	<u>(1,373,024)</u>	<u>389,669</u>
<i>Net change in fund balance</i>	-	-	148,845	148,845
<i>Fund balance - beginning of year</i>	-	-	4,884,497	4,884,497
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,033,342</u>	<u>\$ 5,033,342</u>

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

## STATE OF NEW MEXICO

Exhibit C-2

Town of Taos

Lodgers' Tax Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline, franchise and motor vehicle	-	-	-	-
Lodger's tax	1,037,922	1,037,922	1,189,436	151,514
Charges for services	122,668	122,668	108,449	(14,219)
Licenses and fees	-	-	276	276
Miscellaneous	6,700	6,700	7,100	400
<i>Total revenues</i>	<u>1,167,290</u>	<u>1,167,290</u>	<u>1,305,261</u>	<u>137,971</u>
<i>Expenditures</i>				
Current:				
Culture and recreation	1,083,081	1,086,713	983,425	103,288
Capital outlay	57,787	57,787	38,445	19,342
<i>Total expenditures</i>	<u>1,140,868</u>	<u>1,144,500</u>	<u>1,021,870</u>	<u>122,630</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>26,422</u>	<u>22,790</u>	<u>283,391</u>	<u>260,601</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	170,783	174,415	-	(174,415)
Transfers in	788,820	793,820	793,820	-
Transfers (out)	(986,025)	(991,025)	(991,026)	(1)
<i>Total other financing sources (uses)</i>	<u>(26,422)</u>	<u>(22,790)</u>	<u>(197,206)</u>	<u>(174,416)</u>
<i>Net change in fund balance</i>	-	-	86,185	86,185
<i>Fund balance - beginning of year</i>	-	-	351,366	351,366
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,551</u>	<u>\$ 437,551</u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	<b>Water and Sewer</b>	<b>Solid Waste</b>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 3,910,279	\$ 363,207
Investments	1,347,360	249,100
Taxes receivable	75,684	-
Customer receivables, net	651,340	199,797
Inventory	33,994	-
<i>Total current assets</i>	6,018,657	812,104
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	311,282	-
Restricted investments	-	-
Capital assets	45,067,192	1,134,674
Less: accumulated depreciation	(24,277,904)	(711,161)
<i>Total noncurrent assets</i>	21,100,570	423,513
<i>Total assets</i>	27,119,227	1,235,617
<b>Deferred outflows of resources</b>		
Deferred outflows- pension	117,000	33,287
Deferred outflows- OPEB	7,743	2,234
<i>Total deferred outflows of resources</i>	124,743	35,521
<i>Total assets and deferred outflows of resources</i>	\$ 27,243,970	\$ 1,271,138

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

<b>Taos Regional Landfill</b>	<b>Total</b>
\$ 1,580,103	\$ 5,853,589
-	1,596,460
-	75,684
145,575	996,712
-	33,994
<u>1,725,678</u>	<u>8,556,439</u>
1,025,418	1,336,700
75,400	75,400
6,873,497	53,075,363
<u>(2,410,093)</u>	<u>(27,399,158)</u>
<u>5,564,222</u>	<u>27,088,305</u>
<u>7,289,900</u>	<u>35,644,744</u>
44,984	195,271
<u>3,362</u>	<u>13,339</u>
<u>48,346</u>	<u>208,610</u>
<u>\$ 7,338,246</u>	<u>\$ 35,853,354</u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	<b>Water and Sewer</b>	<b>Solid Waste</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 404,742	\$ 44,753
Accrued payroll	23,418	6,398
Accrued compensated absences	35,952	4,869
Due to other funds	34,872	3,464
Deposits held in trust for others	311,282	-
Accrued interest	64,995	-
Current maturity of loans payable	166,711	-
	<u>1,041,972</u>	<u>59,484</u>
<i>Total current liabilities</i>		
<i>Noncurrent liabilities</i>		
Accrued compensated absences	19,152	2,423
Bonds payable	1,657,600	-
Loans and notes payable	1,293,894	-
Landfill closure and post-closure costs	-	-
Net pension liability	609,883	124,889
Net OPEB liability	399,204	115,178
	<u>3,979,733</u>	<u>242,490</u>
<i>Total noncurrent liabilities</i>		
	<u>5,021,705</u>	<u>301,974</u>
<i>Total liabilities</i>		
<b>Deferred inflows of resources</b>		
Deferred inflows- pension	112,524	31,165
Deferred inflows- OPEB	90,858	26,214
	<u>203,382</u>	<u>57,379</u>
<i>Total deferred inflows of resources</i>		
<b>Net position</b>		
Net investment in capital assets	17,671,083	423,513
Restricted for:		
Landfill	-	-
Unrestricted	4,347,800	488,272
	<u>22,018,883</u>	<u>911,785</u>
<i>Total net position</i>		
	<u>22,018,883</u>	<u>911,785</u>
<i>Total liabilities and net position</i>		
	<u>\$ 27,243,970</u>	<u>\$ 1,271,138</u>

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

<b>Taos Regional Landfill</b>	<b>Total</b>
\$ 492,104	\$ 941,599
9,853	39,669
20,012	60,833
5,974	44,310
-	311,282
280	65,275
170,940	337,651
<u>699,163</u>	<u>1,800,619</u>
14,028	35,603
-	1,657,600
1,092,112	2,386,006
1,712,930	1,712,930
221,636	956,408
173,334	687,716
<u>3,214,040</u>	<u>7,436,263</u>
<u>3,913,203</u>	<u>9,236,882</u>
47,332	191,021
39,450	156,522
<u>86,782</u>	<u>347,543</u>
3,200,352	21,294,948
1,100,818	1,100,818
(962,909)	3,873,163
<u>3,338,261</u>	<u>26,268,929</u>
<u>\$ 7,338,246</u>	<u>\$ 35,853,354</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 Position  
Proprietary Funds  
For the Year Ended June 30, 2018

	<b>Water and Sewer</b>	<b>Solid Waste</b>
<i>Operating revenues</i>		
Charges for services	\$ 3,626,433	\$ 1,399,857
<i>Total operating revenues</i>	3,626,433	1,399,857
<i>Operating expenses</i>		
Depreciation	1,664,136	61,735
Personnel services	702,928	199,714
Contractual services	1,167,956	761,691
Supplies and purchases	12,943	8,017
Maintenance and materials	176,150	38,199
Utilities	527,581	255,742
Non-capital equipment	155,217	-
Other costs	283,379	76,922
<i>Total operating expenses</i>	4,690,290	1,402,020
<i>Operating income (loss)</i>	(1,063,857)	(2,163)
<i>Non-operating revenues (expenses)</i>		
Gross receipts taxes	487,819	-
Interest expense	(142,440)	-
Investment income	6,900	-
Miscellaneous income	7	16,799
<i>Total non-operating revenues (expenses)</i>	352,286	16,799
<i>Income (loss) before contributions and transfers</i>	(711,571)	14,636
Transfers in	4,451,243	-
Transfers (out)	(4,425,296)	-
<i>Change in net position</i>	(685,624)	14,636
<i>Total net position, beginning of year</i>	23,178,698	1,033,962
<i>Total net position, restatement (Note 16)</i>	(474,191)	(136,813)
<i>Total net position, beginning as restated</i>	22,704,507	897,149
<i>Total net position, end of year</i>	\$ 22,018,883	\$ 911,785

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



<b>Taos Regional Landfill</b>	<b>Total</b>
\$ 1,398,245	\$ 6,424,535
<u>1,398,245</u>	<u>6,424,535</u>
289,525	2,015,396
317,937	1,220,579
72,885	2,002,532
3,597	24,557
873	215,222
7,349	790,672
-	155,217
415,329	775,630
<u>1,107,495</u>	<u>7,199,805</u>
<u>290,750</u>	<u>(775,270)</u>
-	487,819
576	(141,864)
3,431	10,331
-	16,806
<u>4,007</u>	<u>373,092</u>
<u>294,757</u>	<u>(402,178)</u>
1,041,000	5,492,243
(1,066,947)	(5,492,243)
<u>268,810</u>	<u>(402,178)</u>
3,275,344	27,488,004
(205,893)	(816,897)
<u>3,069,451</u>	<u>26,671,107</u>
<u>\$ 3,338,261</u>	<u>\$ 26,268,929</u>

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, 2018

Exhibit D-3

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Taos Regional Landfill</b>	<b>Total</b>
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$ 3,663,120	\$1,380,314	\$ 1,403,573	\$ 6,447,007
Cash payments to employees for services	(654,418)	(185,601)	(297,338)	(1,137,357)
Cash payments to suppliers for goods and services	(2,020,211)	(1,208,381)	(29,048)	(3,257,640)
<i>Net cash provided (used) by operating activities</i>	<u>988,491</u>	<u>(13,668)</u>	<u>1,077,187</u>	<u>2,052,010</u>
<i>Cash flows from noncapital financing activities:</i>				
Gross receipts taxes	487,819	-	-	487,819
Miscellaneous income	7	16,799	-	16,806
Landfill closure costs	-	-	14,600	14,600
Repayment of interfund loans	18,219	(2,414)	(4,421)	11,384
Transfers (net)	25,947	-	(25,947)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>531,992</u>	<u>14,385</u>	<u>(15,768)</u>	<u>530,609</u>
<i>Cash flows from investing activities:</i>				
Interest on investments	6,900	-	1,407	8,307
<i>Net cash provided by investing activities</i>	<u>6,900</u>	<u>-</u>	<u>1,407</u>	<u>8,307</u>
<i>Cash flows from capital and related financing activities:</i>				
Interest paid	(130,451)	-	-	(130,451)
Acquisition of capital assets	(174,571)	(29,878)	(497,819)	(702,268)
Principal payments on loans	(649,821)	-	(168,483)	(818,304)
<i>Net cash (used) by capital and related financing activities</i>	<u>(954,843)</u>	<u>(29,878)</u>	<u>(666,302)</u>	<u>(1,651,023)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>572,540</u>	<u>(29,161)</u>	<u>396,524</u>	<u>939,903</u>
<i>Cash and cash equivalents - beginning of year</i>	3,368,265	392,368	2,128,878	5,889,511
<i>Cash and cash equivalents- reclassification</i>	280,756	-	80,119	360,875
<i>Cash and cash equivalents, as reclassified</i>	<u>3,649,021</u>	<u>392,368</u>	<u>2,208,997</u>	<u>6,250,386</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,221,561</u>	<u>\$ 363,207</u>	<u>\$ 2,605,521</u>	<u>\$ 7,190,289</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (1,063,857)	\$ (2,163)	\$ 290,750	\$ (775,270)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,664,136	61,735	289,525	2,015,396
Net pension and OPEB expense	39,251	11,328	17,058	67,637
Changes in assets and liabilities:				
Receivables	27,616	(19,543)	5,328	13,401
Inventory	(4,965)	-	-	(4,965)
Accounts payable	307,980	(67,810)	470,985	711,155
Accrued payroll expenses	3,833	362	(30)	4,165
Customer deposits	9,071	-	-	9,071
Accrued compensated absences	5,426	2,423	3,571	11,420
<i>Net cash provided (used) by operating activities</i>	<u>\$ 988,491</u>	<u>\$ (13,668)</u>	<u>\$ 1,077,187</u>	<u>\$ 2,052,010</u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2018

Exhibit E-1

**Assets**

Cash	\$ 13,997
Investments	<u>60,000</u>
<i>Total assets</i>	<u><u>\$ 73,997</u></u>

**Liabilities**

Due to other entities	<u>\$ 73,997</u>
<i>Total liabilities</i>	<u><u>\$ 73,997</u></u>

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

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies**

The Town of Taos (the 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 and sewer, solid waste, and landfill), 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 Town and its inhabitants;
7. Preserve peace and order within the Town; and
8. Establish rates for services provided by the Town 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 Town of Taos is presented to assist in the understanding of Town of Taos's financial statements. The financial statements and notes are the representation of Town of Taos'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 government entities.

During the year ended June 30, 2018, the Town adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, No. 81, Irrevocable Split-Interest Agreements, No. 85, Omnibus 2017, No. 86, Certain Debt Extinguishment Issues, are required to be implemented for the fiscal year ending June 30, 2018.

The pronouncement adopted that materially affects the financial statements and disclosures of the Town for the year ended June 30, 2018 is GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The requirements of this Statement improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.

At year end June 30, 2018, the Town was not required to make a GASB 77 disclosure.

*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.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (continued)*

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. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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.

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 has no component units, and is not a component unit of another governmental agency.

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position 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 Position 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 Position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Town's net position is reported in three parts – net investments in capital assets; restricted net position; and unrestricted net position.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 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 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 of time, reimbursement and contingencies imposed by the provider are 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. 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. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

Proprietary funds distinguish operating revenues and expense 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 for the Town's enterprise funds 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.

Under the requirements of GASB Statement No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

*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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

*The Lodgers' Tax Special Revenue Fund* is used 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 Lodgers Tax Act (Section 3- 38-15, NMSA 1978). Monies in the Lodgers Tax Fund may be used to build, operate, and maintain tourism related facilities.

*The Airport Construction Capital Projects 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.

**STATE OF NEW MEXICO**  
Town of Taos  
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June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The 1999 Gasoline Tax Acquisition Debt Service fund was created to receive bond proceeds and to account for the capital outlay associated with the bond issue. Authority is the Town Council resolution.

The Town reports its proprietary funds as major funds. Proprietary funds (enterprise 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 as a trustee 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 various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity*

**Deposits and Investments:** The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

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



**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

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 after 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 as revenue when levied net of estimated refunds and uncollectable amounts.

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 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after May 10<sup>th</sup> are considered delinquent. The taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Property taxes are collected by Taos County and are remitted monthly to the Town.

**Inventory:** The Town's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost.

**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 expended. Restricted cash in the amount of \$1,699,748 and restricted investments in the amount of \$75,400, at June 30, 2018 are reported in the statement of net position.

**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 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. Town of Taos was a phase II government for purposes of implementing GASB 34. Therefore, the Town was required to report its major general infrastructure assets retroactively to June 30, 1980. The Town has made the required restatement for infrastructure assets retroactive to June 30, 1980, in order to properly implement GASB 34. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated assets are recorded at fair market value when received. 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.

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 fiscal year 2018. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Machinery and Equipment	5-25
Infrastructure (including airport)	10-50

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2018, along with applicable PERA, FICA, RHC and Medicare accruals.

**Deposits Held in Trust For Others:** Deposits held in trust for others consists of security deposits for the Civic Center and meter deposits as of June 30, 2018.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has four types of items that qualify for reporting in this category related to the pension and OPEB plans which are discussed at Notes 10 and 11.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Town has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town has recorded \$128,886 related to property taxes that are considered “unavailable”. The Town also has items related to the pension and OPEB plans which are discussed at Notes 10 and 11.

**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

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

**Long-term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference is minimal. 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.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance Classification Policies and Procedures:** In the governmental fund financial statements, fund balance is reported in five classifications:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves. The Town has nonspendable fund balance of \$133,193 at June 30, 2018.

**Restricted** – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The Town has \$3,595,927 in restricted fund balances at June 30, 2018.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

**Committed** – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the highest level of Authority, the Town Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The Town has \$3,118,981 in committed funds at June 30, 2018 for subsequent year’s expenditures.

**Assigned** – This classification includes amounts that are constrained by the Town’s *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The Town Council has delegated the authority to assign amounts to be used for specific purposes to the Finance Director.

**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 1/12<sup>th</sup> the General Fund expenditures. The Town has also presented committed fund balance on the governmental funds balance sheet including \$841,558 for minimum fund balance for the year ended June 30, 2018. As these amounts are an accumulation of resources and not a true restriction or commitment of expenditures, they are reflected within the unassigned fund balance of the general fund.

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Net investment in capital assets consist of 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 Position: Consist of net position 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 position restricted for “special revenue, and capital projects” are described on pages 47-48 and 104-107.
- c. Unrestricted Net Position: All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**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.

**STATE OF NEW MEXICO**  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position or Equity (continued)*

**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 for the Town include the depreciable lives of capital assets, estimated allowance for uncollectible accounts receivables, the Town's estimate landfill closure and post closure costs, and the Town's net pension and OPEB liabilities and related deferred inflows and outflows of resources.

**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:

	<b>Excess (deficiency) of revenues over expenditures Operating income (loss)</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
Budgeted Funds:		
General Fund	\$ 89,634	\$ 1,762,693
Lodgers' Tax Special Revenue Fund	\$ 26,422	\$ 22,790

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 Position- Budget (GAAP Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
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**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. All invested funds of the Town properly followed State investment requirements as of June 30, 2018. There are no specific state laws governing the ability to spend net appreciation and investment income.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest on 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.

All of the Town's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*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, 2018, \$13,740,288 of the Town's deposits of \$14,490,288 was exposed to custodial credit risk. \$10,175,627 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$3,564,661 was uninsured and uncollateralized.

	<u>US Bank</u>	<u>Centinel Bank</u>	<u>Total</u>
Amount of deposits	\$ 6,774,388	\$ 7,715,900	\$ 14,490,288
FDIC Coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>6,274,388</u>	<u>7,465,900</u>	<u>13,740,288</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the Town's name	<u>6,274,388</u>	<u>3,901,239</u>	<u>10,175,627</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 3,564,661</u>	<u>\$ 3,564,661</u>
Collateral requirement (50% of uninsured funds)	\$ 3,137,194	\$ 3,732,950	\$ 6,870,144
Pledged Collateral	<u>10,000,000</u>	<u>3,901,239</u>	<u>13,901,239</u>
Over (Under) collateralized	<u>\$ 6,862,806</u>	<u>\$ 168,289</u>	<u>\$ 7,031,095</u>

**STATE OF NEW MEXICO**  
Town of Taos  
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**NOTE 3. Deposits and Investments (continued)**

The collateral pledged is listed on Schedule II of this report. The types of collateral 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.

**Investments**

Credit Risk

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 LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1(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, 2018, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New Mexico Local Government Investment Pool	50 Days ( R ); 100 Days ( F )	\$ 4,143,964	AAAm
U.S. Treasury Notes	<1 year	576,916	Aaa
		<u>\$ 4,720,880</u>	

The Town has presented \$4,143,964 in investments at year end that is invested in the Local Government Investment Pool. Of the \$4,720,880 noted above \$576,916 is considered restricted cash and cash equivalents as these are invested by NMFA in US Treasury notes. For purposes of cash flows at Exhibit D-3 ending cash is considered to be cash and cash equivalents, restricted cash and cash equivalents.

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

*Concentration of Credit Risk – Investments.* For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investments in the New Mexico LGIP and U.S Treasury Money Market Mutual Funds represent 88% and 12%, 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 of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 3. Deposits and Investments (continued)**

**Fair Value Measurement**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Town's assets at fair value as of June 30, 2018:

<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
\$ 4,720,880	\$ 4,720,880	\$ -	\$ -



**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 12,327,117
Restricted cash and cash equivalents per Exhibit A-1	1,699,748
Cash and investments - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	73,997
Investments per Exhibit A-1	4,008,564
Restricted investments per Exhibit A-1	<u>75,400</u>
 Total cash, investments, and cash equivalents	 <u>18,184,826</u>
 Add: outstanding checks and other reconciling items	 1,028,183
Less: NMFA restricted accounts	(576,916)
Less: New Mexico Government Local Investment Pool	(4,143,964)
Less: petty cash	<u>(1,841)</u>
 Bank balance of deposits	 <u>\$ 14,490,288</u>

**STATE OF NEW MEXICO**  
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**NOTE 4. Receivables**

Governmental receivables as of June 30, 2018 are comprised of the following:

	<u>General</u>	<u>Lodgers' Tax Special Revenue Fund</u>	<u>Airport Construction Capital Projects Fund</u>
Taxes receivable:			
Property taxes	\$ 169,677	\$ -	\$ -
Gross receipts taxes	1,422,886	-	-
Franchise taxes	144,722	-	-
Lodger's taxes	-	120,684	-
Oil and gas taxes	22,674	-	-
MVD taxes	273	-	-
Total taxes receivable	<u>1,760,232</u>	<u>120,684</u>	<u>-</u>
Due from other governments:			
State grants	3,589	21,951	34,564
Taos County	-	-	11,853
Federal grants	-	-	97,061
Total due from other governments	<u>3,589</u>	<u>21,951</u>	<u>143,478</u>
Accounts receivable, net	<u>\$ 1,763,821</u>	<u>\$ 142,635</u>	<u>\$ 143,478</u>
	<b>Other Governmental Funds</b>	<b>Total</b>	
Taxes receivable:			
Property taxes	\$ -	\$ 169,677	
Gross receipts taxes	264,900	1,687,786	
Franchise taxes	-	144,722	
Lodger's taxes	-	120,684	
Oil and gas taxes	15,297	37,971	
MVD taxes	-	273	
Total taxes receivable	<u>280,197</u>	<u>2,161,113</u>	
Due from other governments:			
State grants	189,261	249,365	
Taos County	-	11,853	
Federal grants	-	97,061	
Total due from other governments	<u>189,261</u>	<u>358,279</u>	
Accounts receivable, net	<u>\$ 469,458</u>	<u>\$ 2,519,392</u>	

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$128,886 that were not collected within the period of availability have been reclassified as unearned revenue in the governmental fund financial statements as of June 30, 2018.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 4. Receivables (continued)**

Business-type activity receivables as of June 30, 2018 are comprised of the following:

	<u>Water and Sewer</u>	<u>Solid Waste</u>
Taxes receivable		
Gross receipts taxes	\$ 75,684	\$ -
Customer receivable	1,396,556	252,399
Less: allowance for uncollectable accounts	(745,216)	(52,602)
Accounts receivable, net	<u>\$ 727,024</u>	<u>\$ 199,797</u>
	<u>Taos Regional</u>	
	<u>Landfill</u>	<u>Total</u>
Taxes receivable		
Gross receipts taxes	\$ -	\$ 75,684
Customer receivable	163,060	1,812,015
Less: allowance for uncollectable accounts	(17,485)	(815,303)
Accounts receivable, net	<u>\$ 145,575</u>	<u>\$ 1,072,396</u>

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The Town records temporary interfund receivables and payables to cover cash deficits related to accounts payable. All interfund balances are to be repaid within one year.

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
1994 Gross Receipts Tax Revenue Bond Acquisition	General Fund	\$ 800
	1994 Gross Receipts Tax Revenue Bond Acquisition	15,927
General Fund	Community Grants	21,171
General Fund	Water and Sewer	34,872
General Fund	Solid Waste	3,464
General Fund	Taos Regional Landfill	5,974
Total		<u>\$ 82,208</u>

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**NOTE 5. Interfund Receivables, Payables, and Transfers**

Net operating transfers, made to supplement other funding sources, and capital asset transfers were as follows:

<b>Transfers Out</b>	<b>Transfers In</b>	<b>Amount</b>
Fire Protection	2015 NMFA Fire Pumper Loan	\$ 75,094
Lodger's Tax Fund	Lodger's Tax Promotional	793,820
Lodger's Tax Fund	Public Transportation	197,205
General Fund	Community Grants	47,308
Municipal Road Gas Tax	2011 PPRF Street Improvement	65,494
General Fund	2011 PPRF Street Improvement	121,509
2007 NMFA Land Purchase	2011 PPRF Street Improvement	386
2011 PPRF Street Improvement Reserve	2011 PPRF Street Improvement	3,857
Municipal Road Gas Tax	1999 Gas Tax Fund	46,503
1/4 cent Municipal Gross Receipts Tax	Capital Projects Fund	28,000
	2009 NMFA PPRF Disadvantage	
1/4 cent Municipal Gross Receipts Tax	Program Eco Park	180,753
	2008 GRT Revenue Bond Retirement	
1/4 cent Municipal Gross Receipts Tax	Fund	551,825
1/4 cent Municipal Gross Receipts Tax	1999 Gas Tax Fund	155,596
Facilities Improvement Fund	General Fund	200,000
General Fund	Capital Projects Fund	226,576
General Fund	Capital Maintenance Operating Fund	1,111,448
General Fund	Vehicle Replacement Fund	50,000
General Fund	1999 Gas Tax Fund	16,183
Capital Projects Fund	1999 Gas Tax Fund	784,000
General Fund	General Fund	5,256,860
Water and Sewer	Water and Sewer	3,939,071
Taos Regional Landfill	Taos Regional Landfill	1,553,172
		<u>1,553,172</u>
Total		<u>\$ 15,404,660</u>

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**NOTE 6. Capital Assets**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets not being				
Land	\$ 6,258,729	\$ 356,559	\$ -	\$ 6,615,288
Construction in progress	20,868,627	50,103	20,549,120	369,610
Total not being depreciated	<u>27,127,356</u>	<u>406,662</u>	<u>20,549,120</u>	<u>6,984,898</u>
Capital assets being depreciated:				
Land improvements	7,461,945	-	-	7,461,945
Buildings and improvements	34,834,677	803,218	-	35,637,895
Machinery and Equipment	15,762,340	430,915	21,968	16,171,287
Infrastructure	57,424,391	26,195,966	-	83,620,357
Total being depreciated	<u>115,483,353</u>	<u>27,430,099</u>	<u>21,968</u>	<u>142,891,484</u>
Total capital assets	<u>142,610,709</u>	<u>27,836,761</u>	<u>20,571,088</u>	<u>149,876,382</u>
Accumulated depreciation:				
Land improvements	5,072,807	242,800	-	5,315,607
Buildings and improvements	18,907,920	1,103,226	-	20,011,146
Machinery and Equipment	13,296,694	548,697	21,968	13,823,423
Infrastructure	41,355,438	2,583,631	-	43,939,069
Total accumulated depreciation	<u>78,632,859</u>	<u>4,478,354</u>	<u>21,968</u>	<u>83,089,245</u>
Capital assets, net	<u>\$ 63,977,850</u>	<u>\$ 23,358,407</u>	<u>\$ 20,549,120</u>	<u>\$ 66,787,137</u>

Depreciation expense for the year ended June 30, 2018 was charged to the functions of the governmental activities as follows:

General	\$ 4,075,301
Public safety	89,568
Public works	313,485
Total	<u>\$ 4,478,354</u>

**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets (continued)**

**Business-type Activities:**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets not being				
Land	\$ 262,422	\$ -	\$ -	\$ 262,422
Construction in progress	455,434	21,447	455,434	21,447
Total not being depreciated	<u>717,856</u>	<u>21,447</u>	<u>455,434</u>	<u>283,869</u>
Capital assets being depreciated:				
Land improvements	104,895	-	-	104,895
Buildings and improvements	4,656,981	-	-	4,656,981
Machinery and Equipment	9,119,257	527,697	-	9,646,954
Infrastructure	37,774,106	608,558	-	38,382,664
Total being depreciated	<u>51,655,239</u>	<u>1,136,255</u>	<u>-</u>	<u>52,791,494</u>
Total capital assets	<u>52,373,095</u>	<u>1,157,702</u>	<u>455,434</u>	<u>53,075,363</u>
Accumulated depreciation:				
Land improvements	95,947	676	-	96,623
Buildings and improvements	2,892,528	143,311	-	3,035,839
Machinery and Equipment	7,728,286	280,255	-	8,008,541
Infrastructure	14,667,001	1,591,154	-	16,258,155
Total accumulated depreciation	<u>25,383,762</u>	<u>2,015,396</u>	<u>-</u>	<u>27,399,158</u>
Capital assets, net	<u>\$ 26,989,333</u>	<u>\$ (857,694)</u>	<u>\$ 455,434</u>	<u>\$ 25,676,205</u>

Depreciation expense for the year ended June 30, 2018 was charged to the proprietary funds as follows:

Water and Sewer	\$ 1,664,136
Solid Waste	61,735
Taos Regional Landfill	289,525
Total	<u>\$ 2,015,396</u>

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**NOTE 7. Long-term Debt**

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

<b>Governmental Activities:</b>	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 4,060,000	\$ -	\$ 385,000	\$ 3,675,000	\$ 400,000
NMFA Loans	2,371,923	-	368,231	2,003,692	377,252
Compensated Absences	610,922	393,998	328,626	676,294	328,626
<b>Total</b>	<b>\$ 7,042,845</b>	<b>\$ 393,998</b>	<b>\$ 1,081,857</b>	<b>\$ 6,354,986</b>	<b>\$ 1,105,878</b>

**Revenue Bonds**

At June 30, 2018, the Town had one revenue bond outstanding. 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:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>
Series 2008 Gross Receipts Tax	1/30/2008	6/1/2026	4.00-5.00%	\$ 6,395,000

The annual requirements to amortize the revenue bond as of June 30, 2018, including interest payments, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2019	\$ 400,000	\$ 151,374	\$ 551,374
2020	415,000	135,375	550,375
2021	430,000	118,775	548,775
2022	450,000	101,145	551,145
2023	465,000	82,695	547,695
2024-2026	1,515,000	128,940	1,643,940
<b>Total</b>	<b>\$ 3,675,000</b>	<b>\$ 718,304</b>	<b>\$ 4,393,304</b>

**STATE OF NEW MEXICO**  
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**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 and the Fire to cover debt service. Aside from the NMFA Fire Truck Pumper loan, 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 Phase I Multi-Phase Eco Park NMFA Revolving Loan Fund	11/25/2009	5/1/2025	.62-3.67%	\$ 2,213,469
Road Projects	11/4/2011	5/1/2022	1.90%	\$ 1,694,457
NMFA Fire Truck Pumper Loan	5/8/2015	5/1/2021	0.92%	\$ 434,994

The annual requirements to amortize the NMFA loans as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 377,252	\$ 53,801	\$ 431,053
2020	387,381	45,952	433,333
2021	398,774	36,964	435,738
2022	334,977	28,099	363,076
2023	162,665	18,091	180,756
2024-2025	342,643	18,869	361,512
Total	<u>\$ 2,003,692</u>	<u>\$ 201,776</u>	<u>\$ 2,205,468</u>

**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, 2018, government-wide compensated absences increased \$65,372 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.



**STATE OF NEW MEXICO**  
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Notes to the Financial Statements  
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**NOTE 7. Long-term Debt (continued)**

**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, 2018:

<b>Business-type Activities:</b>	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 1,798,600	\$ -	\$ 141,000	\$ 1,657,600	\$ 60,000
NMFA and RUS Loans	3,400,961	-	677,304	2,723,657	277,651
Landfill closure and postclosure	1,698,330	14,600	-	1,712,930	-
Compensated Absences	85,016	72,253	60,833	96,436	60,833
<b>Total</b>	<b>\$ 6,982,907</b>	<b>\$ 86,853</b>	<b>\$ 879,137</b>	<b>\$ 6,190,623</b>	<b>\$ 398,484</b>

**Revenue Bonds**

At June 30, 2018, the Town had the following revenue bonds outstanding:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>
Series 1993A Water and Sewer	3/16/1993	3/16/1933	5.63%	\$ 635,600
Series 1993B Water and Sewer	3/16/1993	3/16/1933	5.50%	\$ 123,000
Series 1995A Water and Sewer	12/5/1995	12/5/1935	5.13%	\$ 1,315,000
Series 1998A Water and Sewer	7/1/1999	1/1/1938	4.75%	\$ 475,000

The annual requirements to amortize the NMFA loans as of June 30, 2018, including interest payments, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2019	\$ 60,000	\$ 85,663	\$ 145,663
2020	63,000	82,535	145,535
2021	66,000	79,254	145,254
2022	70,000	58,211	128,211
2023	73,000	72,164	145,164
2024-2028	427,000	299,493	726,493
2029-2034	552,600	175,751	728,351
2035-2039	321,000	44,024	365,024
2040	25,000	1,188	26,188
<b>Total</b>	<b>\$ 1,657,600</b>	<b>\$ 898,283</b>	<b>\$ 2,555,883</b>

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

**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:

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
RUS Series 2000A Water & Sewer	12/18/2000	12/18/2040	5.00%	\$ 250,000
NMFA Series 2001A Water & Sewer	5/11/2001	5/1/2021	4.16-5.41%	\$ 950,391
NMFA Series 2008A Landfill	4/11/2008	5/1/2018	2.72-3.58%	\$ 1,000,000
NMFA/WTB Water Project Fund Loan	9/11/2009	6/1/2029	0.00%	\$ 130,000
NMFA/WTB Water Project Fund Loan	9/11/2009	6/1/2029	0.00%	\$ 600,000
NMED/ARRA Water State Revolving Fund Loan	11/23/2009	6/30/2030	0.00%	\$ 1,200,000
NMFA/WTB Water Project Fund Loan	4/19/2013	6/1/2033	0.00%	\$ 197,390
NMFA New Cell for Lanfill Facility Loan	8/28/2015	6/1/2025	0.38-2.24%	\$ 1,376,046

The annual requirements to amortize the loans as of June 30, 2018, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 277,651	\$ 20,160	\$ 297,811
2020	280,122	18,000	298,122
2021	283,095	15,312	298,407
2022	286,596	12,108	298,704
2023	290,603	8,388	298,991
2024-2028	917,412	4,272	921,684
2028-2032	388,178	-	388,178
Total	<u>\$ 2,723,657</u>	<u>\$ 78,240</u>	<u>\$ 2,801,897</u>

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, 2018, business-type compensated absences increased \$11,420 from the previous year accrual. Compensated absences are liquidated by the respective funds in which they are accrued

**STATE OF NEW MEXICO**  
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**NOTE 8. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Town is a member and is insured through the New Mexico Town Insurance Authority. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico cities. The Town pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Town is not liable for more than the premiums paid. The Town has not had any insurance settlements that exceeded insurance coverage amounts in the preceding three fiscal years.

**NOTE 9. Other Required Individual Fund Disclosures**

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

- A. Deficit fund balance of individual funds. The following fund had a deficit fund balance for the year ended June 30, 2018:

Civic Center	\$(2,323)
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- B. Excess of expenditures over appropriations. There were no funds in which fund expenditures were in excess of the budgeted appropriations for the year ended June 30, 2018.
- C. Designated cash appropriations in excess of available balances. There were no funds with designated cash appropriation in excess of available balances for the year ended June 30, 2018.

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM**

*Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

**STATE OF NEW MEXICO**  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**Benefits Provided** – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**TIER II**

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**Contributions** – See PERA’s compressive annual financial report for Contribution provided description.

<b>PERA Contribution Rates and Pension Factors as of July 1, 2016</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –***

**PERA Fund Division Municipal General:** At June 30, 2018, the Town reported a liability of \$6,362,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017.

**STATE OF NEW MEXICO**  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Town’s proportion was 0.4630 percent, which was a decrease of 0.0136 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$550,455. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 293,383	\$ 65,743
Changes in proportion	-	385,069
Difference between expected and actual experience	249,985	325,843
Net difference between projected and actual earnings on pension plan investments	521,965	-
Town's contributions subsequent to the measurement date	<u>390,507</u>	<u>-</u>
Total	<u>\$ 1,455,840</u>	<u>\$ 776,655</u>

\$390,507 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

<b>Year ended June 30:</b>	
2018	\$ (38,929)
2019	423,275
2020	56,872
2021	(152,541)
Thereafter	-
Total	<u>\$ 288,677</u>

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
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**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**PERA Fund Division Municipal Police:** At June 30, 2018, The Town reported a liability of \$2,707,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Town’s proportion was 0.4874, which was an increase of 0.0108 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$333,962. At June 30, 2018, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 161,107	\$ 62,966
Changes in proportion	42,563	24,598
Difference between expected and actual experience	164,460	505,931
Net difference between projected and actual earnings on pension plan investments	218,078	-
Town's contributions subsequent to the measurement date	<u>203,663</u>	<u>-</u>
Total	<u>\$ 789,871</u>	<u>\$ 593,495</u>

\$203,663 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

<b>Year ended June 30:</b>	
2018	\$ (9,338)
2019	134,495
2020	(68,681)
2021	(63,763)
Thereafter	-
Total	<u>\$ (7,287)</u>

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

**PERA Fund Division Municipal Fire:** At June 30, 2018, The Town reported a liability of \$1,575,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017.

The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Town’s proportion was 0.2753, which was a decrease of 0.0031 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$197,783. At June 30, 2018, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 62,271	\$ 9,875
Changes in proportion	30,784	12,553
Difference between expected and actual experience	51,430	197,230
Net difference between projected and actual earnings on pension plan investments	59,128	-
Town's contributions subsequent to the measurement date	<u>68,705</u>	<u>-</u>
Total	<u>\$ 272,318</u>	<u>\$ 219,658</u>

\$68,705 reported as deferred outflows of resources related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 22,524
2019	22,310
2020	(43,843)
2021	(17,036)
Thereafter	-
	<u>\$ (16,045)</u>



**STATE OF NEW MEXICO**  
Town of Taos  
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June 30, 2018

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

<b>PERA</b>	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 9 years, then 3.254% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 10. Pension Plan – Public Employee Retirement Association of NM (continued)**

*Discount rate.* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

*Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

**PERA Fund Municipal General Division**

	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
Town's proportionate share of the net pension liability	\$ 9,971,373	\$ 6,362,011	\$ 3,360,325

**PERA Fund Municipal Police Division**

	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
Town's proportionate share of the net pension liability	\$ 4,318,232	\$ 2,707,827	\$ 1,386,251

**PERA Fund Municipal Fire Division**

	<b>1% Decrease (6.48%)</b>	<b>Current Discount Rate (7.48%)</b>	<b>1% Increase (8.48%)</b>
Town's proportionate share of the net pension liability	\$ 2,111,060	\$ 1,575,114	\$ 1,133,445

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

**Payables to the pension plan.** At June 30, 2018, the Town had payables to the plan in the amount of \$56,230.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

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

*General Information about the OPEB*

**Plan description.** Employees of the Town are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms** – At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Town were \$167,557 for the year ended June 30, 2018.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

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

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2018, the Town reported a liability of \$5,759,304 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town's proportion was 0.12709 percent.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$228,971. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ -	\$ 221,012
Net difference between expected and actual investments on OPEB plan investments	-	82,852
Change of assumptions	-	1,006,940
Town's contributions subsequent to the measurement date	111,708	-
<b>Total</b>	<b>\$ 111,708</b>	<b>\$ 1,310,804</b>

Deferred outflows of resources totaling \$98,369 represent Town contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

2019	\$	(278,686)
2020		(278,686)
2021		(278,686)
2022		(278,686)
2023		(196,060)

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

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

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

**Rate of Return.** The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

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

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
Town's proportionate share of the net OPEB liability	\$ 6,985,945	\$ 5,759,304	\$ 4,796,892

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Trend Rate Sensitivity Analysis</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
Town's proportionate share of the net OPEB liability	\$ 4,898,684	\$ 5,759,304	\$ 6,430,373

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the Town reported a payable of \$6,426 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 12. 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 post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs is \$1,712,930 as of June 30, 2018, which is based on 45 percent usage (filled) of the landfill. The estimate has remained unchanged from the prior year as no significant construction occurred or changes to the site conditions. The estimated total current cost of the landfill closure and post closure 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, 2017. However, the actual cost of closure and post closure 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 post closure care. The Town is in compliance with these requirements, and at June 30, 2018 cash of \$1,025,418 and investments of \$75,400 is part of the pooled funds held by the Town and is presented as restricted cash on the statement of net position.

**NOTE 13. Joint Powers Agreements**

**Salazar Property and Sports Facilities**

Participants	Town of Taos, Taos Municipal Schools Board of Education
Responsible party	Taos Municipal School District
Description	Develop, manage and maintain a multi-purpose athletic facility on the Salazar property
Term of agreement	40 years from 2009, with option to renew
Amount of project	\$2,140,012 for Phase I; unknown for other phases
Town contributions	\$ 180,756 Principal/ Interest- Debt Payment
Audit responsibility	Town of Taos

**Public Restroom Facility**

Participants	Town of Taos, County of Taos
Responsible party	County of Taos
Description	Designing, constructing, operating, and maintaining a public restroom facility
Term of agreement	November 20, 2007 to January 31, 2028
Amount of project	Indeterminate
Town contributions	Indeterminate
Audit responsibility	County of Taos

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 13. Joint Powers Agreements (continued)**

**Enhanced 911-Response System**

Participants	Town of Taos, County of Taos, Town of Questa, Village of Taos Ski Valley, Taos Pueblo
Responsible party	County of Taos
Description	Provide an answering point for information regarding needed emergency services
Term of agreement	October 19, 2017 until terminated
Amount of project	Estimated \$973,873 per year
Town contributions	\$60,000 Fiscal year 2017-2018
Audit responsibility	County of Taos

**Taos Regional Landfill Board**

Participants	Town of Taos, County of Taos, Village of Questa, Village of Red River, Village of Taos Ski Valley
Responsible party	Town of Taos
Description	Establish the Taos Regional Landfill Board
Term of agreement	50 years from November 2, 2000
Amount of project	Dependent on landfill expenses
Town contributions	none to date
Audit responsibility	Town of Taos

**NOTE 14. 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 Town Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Town.

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.



**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 15. Construction and Other Significant Commitments**

The Town has committed to pay for several construction contracts that were not completed at June 30, 2018 in the amount of \$1,100,026 as follows:

<b>Project Description</b>	<b>Contract Amount Remaining</b>	<b>Contractor</b>
<b>Water Emergency</b>		
Water Emergency Project - Well 4 & Well 5	\$ 71,919	Phoenix Mechanical LLC
Water Emergency Project - Well 4 & Well 5	136,184	Alpha Southwest Inc.
Water Emergency Project - Wells 3, 4, 5 & 8	327,466	Miller Engineers, Inc.
NM 68 Utility Relocation Engineering Design	73,039	Miller Engineers, Inc.
Deicing Equipment	149,159	Ground Support Specialist
Tank Replacement and Well House Improvements	264,851	Miller Engineers, Inc.
Engineering/R-O-W Services for Camino del Medio	77,408	Miller Engineers Inc.
	<u>\$ 1,100,026</u>	

**NOTE 16. Prior Period Adjustments**

Government Wide Restatements:

The Town has a prior period adjustment for Governmental Activities of (\$6,024,242) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$6,120,327) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$96,085.

The Town has a prior period adjustment for Business-Type Activities of (\$816,897) which was required for implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of (\$829,926) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$9,745.

**NOTE 17. Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 5, 2018 which is the date on which the financial statements were issued. No issues were noted for disclosure at December 5, 2018.

**NOTE 18. 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 specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 19. Restricted Net Position**

The government-wide statement of net position reports \$6,953,551 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital projects funds see pages 47-48 and 104-107.

**NOTE 20. 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 \$404,600 and \$187,711, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,715 and \$3,626,432, respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$1,315,000 in Series 1995A Water & Sewer Revenue Bonds, issued in 1995. The bonds are payable solely from utility customer net revenues and are payable through December 2035. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$871,000 and \$500,665, respectively. Principal and interest paid for the current year and total customer net revenues were \$77,816 and \$3,626,432, 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 \$350,000 and \$209,705 respectively. Principal and interest paid for the current year and total customer net revenues were \$27,100 and \$3,626,432, 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 remaining to be paid

**STATE OF NEW MEXICO**  
Town of Taos  
Notes to the Financial Statements  
June 30, 2018

**NOTE 20. Utility Revenues Pledged (continued)**

on the loan is \$79,862 with no interest due. Principal for the current year and total customer net revenues were \$6,548 and \$3,626,432, 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 remaining to be paid on the loan is \$73,298 with no interest due. Principal for the current year and total customer net revenues were \$6,564 and \$3,626,432, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$1,200,000 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. The total principal remaining to be paid on the loan is \$900,000 with no interest due. Principal for the current year and total customer net revenues were \$60,000 and \$3,626,432, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$197,390 in NMFA/WTB Water Project, issued in 2013. The loans are payable solely from utility customer net revenues and are payable through June 2033. 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 remaining to be paid on the loan is \$149,006 with no interest due. Principal for the current year and total customer net revenues were \$9,737 and \$3,626,432, respectively.

The Town of Taos has pledged future revenues from the New Cell for Landfill Facility, net of operation and maintenance expenses, to repay \$1,376,046 in NMFA loan issued 2015. The loans are payable solely from utility customer net revenues and are payable through June 2025. 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 \$1,263,052 and \$78,240, respectively. Principal for the current year and total customer net revenues were \$71,890 and \$1,398,245, respectively.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal General Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2018 Measurement Date (As of and for the year ended June 30, 2017)</b>	<b>2017 Measurement Date (As of and for the year ended June 30, 2016)</b>
Town of Taos's proportion of the net pension liability	0.4630%	0.4710%
Town of Taos's proportionate share of the net pension liability	\$ 6,362,011	\$ 7,524,994
Town of Taos's covered payroll	\$ 3,909,077	\$ 4,069,174
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	162.75%	184.93%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date (As of and</b>	<b>Date (As of and</b>
<b>for the year</b>	<b>for the year</b>
<b>ended</b>	<b>ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.5054%	0.5476%
\$ 5,152,991	\$ 4,271,868
\$ 4,513,593	\$ 4,457,324
114.17%	95.84%
76.99%	81.29%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Police Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2018 Measurement Date (As of and for the year ended June 30, 2017)</b>	<b>2017 Measurement Date (As of and for the year ended June 30, 2016)</b>
Town of Taos's proportion of the net pension liability	0.4874%	0.4766%
Town of Taos's proportionate share of the net pension liability	\$ 2,707,827	\$ 3,516,497
Town of Taos's covered payroll	\$ 911,949	\$ 953,345
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	296.93%	368.86%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.



<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date (As of and</b>	<b>Date (As of and</b>
<b>for the year</b>	<b>for the year</b>
<b>ended</b>	<b>ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.4844%	0.4887%
\$ 2,329,267	\$ 1,593,109
\$ 949,833	\$ 937,534
245.23%	169.93%
76.99%	81.29%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Proportionate Share of the Net Pension Liability  
of PERA Fund Municipal Fire Division  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2018 Measurement Date (As of and for the year ended <u>June 30, 2017</u>)</b>	<b>2017 Measurement Date (As of and for the year ended <u>June 30, 2016</u>)</b>
Town of Taos's proportion of the net pension liability	0.2753%	0.2784%
Town of Taos's proportionate share of the net pension liability	\$ 1,575,114	\$ 1,857,210
Town of Taos's covered payroll	\$ 321,046	\$ 323,796
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	490.62%	573.57%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

<b>2016</b>	<b>2015</b>
<b>Measurement</b>	<b>Measurement</b>
<b>Date (As of and</b>	<b>Date (As of and</b>
<b>for the year</b>	<b>for the year</b>
<b>ended</b>	<b>ended</b>
<b>June 30, 2015)</b>	<b>June 30, 2014)</b>
0.2769%	0.2567%
\$ 1,429,131	\$ 1,071,464
\$ 315,617	\$ 285,100
452.81%	375.82%
76.99%	81.29%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal General Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended <u>June 30, 2018</u></b>	<b>As of and for the year ended <u>June 30, 2017</u></b>
Contractually required contribution	\$ 390,507	\$ 373,065
Contributions in relation to the contractually required contribution	<u>(390,507)</u>	<u>(373,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 3,909,401	\$ 3,909,077
Contributions as a percentage of covered payroll	9.99%	9.54%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
\$ 386,572	\$ 428,791
<u>(386,572)</u>	<u>(428,791)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,069,174	\$ 4,513,593
9.50%	9.50%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal Police Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended June 30, 2018</b>	<b>As of and for the year ended June 30, 2017</b>
Contractually required contribution	\$ 203,663	\$ 161,795
Contributions in relation to the contractually required contribution	(203,663)	(161,795)
Contribution deficiency (excess)	\$ -	\$ -
Town of Taos's covered payroll	\$ 1,077,583	\$ 911,949
Contributions as a percentage of covered payroll	18.90%	17.74%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
\$ 169,123	\$ 168,500
<u>(169,123)</u>	<u>(168,500)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 953,345	\$ 949,833
17.74%	17.74%

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of the Town's Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Municipal Fire Division  
Last 10 Fiscal Years\*

	<b>As of and for the year ended June 30, 2018</b>	<b>As of and for the year ended June 30, 2017</b>
Contractually required contribution	\$ 68,705	\$ 69,503
Contributions in relation to the contractually required contribution	(68,705)	(69,503)
Contribution deficiency (excess)	\$ -	\$ -
Town of Taos's covered payroll	\$ 317,344	\$ 321,046
Contributions as a percentage of covered payroll	21.65%	21.65%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.



<b>As of and for the year ended June 30, 2016</b>	<b>As of and for the year ended June 30, 2015</b>
\$ 72,748	\$ 68,173
<u>(72,748)</u>	<u>(68,173)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 336,796	\$ 315,617
21.60%	21.60%

See independent auditors' report.  
See notes to required supplementary information.

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**STATE OF NEW MEXICO**  
Town of Taos  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2018

**PERA**

*Changes of benefit terms:* The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

*Assumptions:* The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Proportionate Share of the Net OPEB Liability  
Retiree Health Care OPEB Plan  
Last 10 Fiscal Years\*

Schedule B-1

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
Town of Taos's proportion of the net OPEB liability (asset)	0.12709%
Town of Taos's proportionate share of the net OPEB liability (asset)	\$ 5,759,303
Town of Taos's covered payroll	5,294,121
Town of Taos's proportionate share of the net OPEB liability as a percentage of its covered payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

\* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Town of Taos is not available prior to fiscal year 2018, the year the statement's requirements became effective.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Contributions  
Retiree Health Care OPEB Plan  
Last 10 Fiscal Years\*

Schedule B-2

	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contribution	\$ 111,708
Contributions in relation to the contractually required contribution	111,708
Contribution deficiency (excess)	\$ -
Town of Taos's covered payroll	5,250,703
Contribution as a percentage of covered payroll	2.13%

\* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for Town of Taos is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**RHC Plan**

*Changes of benefit provisions:* There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard

*Change in assumptions and methods:* There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard

See independent auditors' report.  
See notes to required supplementary information.

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## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
Town of Taos  
Nonmajor Fund Descriptions  
June 30, 2018

**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.

**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 lodgers 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 Lodgers Tax receipts allocated for the purpose of providing transportation to the public. Authority is Town Council resolution.

**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.

**1/4 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 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.

**Historical District** – To account for all associated parking meter and associated revenues and costs, including leases, meter maintenance, personnel, and historic district promotion. Authority is Town Council resolution.

**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 powers agreement as authorized by Sections 11-1-1 through 11-1-7 NMSA 1978.



**STATE OF NEW MEXICO**  
Town of Taos  
Nonmajor Fund Descriptions  
June 30, 2018

**Special Revenue Funds (continued)**

**Confidential Informant** – A structured accounting system, operated within the department, providing officers with investigative expense monies to support operations related to the detection, investigation or enforcement of the laws related to crime. This includes but is not limited to: paying documented confidential informants and confidential sources; purchasing contraband as evidence; and paying expenses for surveillance activities and equipment. Authority is Town Council resolution.

**Capital Maintenance Operating Fund** – This fund was created to receive additional amounts that are paid for onetime costs by the Town of Taos. Authority is Town Council resolution.

**Capital Projects Fund**

**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.

**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.

**Special Events Enterprise** – This fund was created to account for the monies for the special events the Town puts on throughout the year to generate revenue. 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.

**Debt Service Funds**

**2015 NMFA Fire Pumper** – This fund was created for the purpose of repayment of the bond issued for the new fire pumper purchased. Authority is Town Council resolution.

**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 is 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.

**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.

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**STATE OF NEW MEXICO**  
Town of Taos  
Nonmajor Fund Descriptions  
June 30, 2018

**Debt Service Funds (continued)**

**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  
Combining Balance Sheet  
June 30, 2018

**Special Revenue**

	<b>Fire Protection</b>	<b>Recreation</b>	<b>Local Governmental Correction</b>	<b>Law Enforcement Protection</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 367,814	\$ 19,034	\$ 45,674	\$ 1,899
Investments	223,258	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 591,072</u>	<u>\$ 19,034</u>	<u>\$ 45,674</u>	<u>\$ 1,899</u>
<i>Liabilities</i>				
Accounts payable	\$ 4,689	\$ (4)	\$ 9,300	\$ 1,899
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>4,689</u>	<u>(4)</u>	<u>9,300</u>	<u>1,899</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	586,383	-	36,374	-
Culture and recreation	-	19,038	-	-
Health and welfare	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>586,383</u>	<u>19,038</u>	<u>36,374</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 591,072</u>	<u>\$ 19,034</u>	<u>\$ 45,674</u>	<u>\$ 1,899</u>

See independent auditors' report.

**Special Revenue**

<b>Civic Center</b>	<b>Domestic Violence Shelter</b>	<b>Public Transportation</b>	<b>Community Grants</b>	<b>Municipal Road Gasoline Tax</b>
\$ 780	\$ 1	\$ 129,020	\$ -	\$ -
2,000	-	210,000	50,000	-
-	-	-	-	15,297
-	-	-	189,261	-
-	-	-	-	-
<u>\$ 2,780</u>	<u>\$ 1</u>	<u>\$ 339,020</u>	<u>\$ 239,261</u>	<u>\$ 15,297</u>
\$ -	\$ -	\$ -	\$ 101,186	\$ -
-	-	-	3,488	-
5,103	-	-	-	-
-	-	-	21,171	-
<u>5,103</u>	<u>-</u>	<u>-</u>	<u>125,845</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	1	-	-	-
-	-	-	-	15,297
-	-	-	-	-
-	-	-	113,416	-
-	-	-	-	-
-	-	-	-	-
-	-	339,020	-	-
-	-	-	-	-
<u>(2,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,323)</u>	<u>1</u>	<u>339,020</u>	<u>113,416</u>	<u>15,297</u>
<u>\$ 2,780</u>	<u>\$ 1</u>	<u>\$ 339,020</u>	<u>\$ 239,261</u>	<u>\$ 15,297</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Town of Taos  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2018

**Special Revenue**

	<b>1/4 Cent Municipal Gross Receipts Tax</b>	<b>Historical District</b>	<b>Communications</b>	<b>Confidential Informant</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 133,104	\$ 25,935	\$ -	\$ 9,828
Investments	-	-	-	-
Receivables:				
Taxes receivable	151,371	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 284,475</u>	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 9,828</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	284,475	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	9,828
Culture and recreation	-	25,935	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>284,475</u>	<u>25,935</u>	<u>-</u>	<u>9,828</u>
<i>Total liabilities and fund balances</i>	<u>\$ 284,475</u>	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 9,828</u>

See independent auditors' report.

<u>Special Revenue</u>		<u>Capital Projects</u>		
<u>Capital Maintenance Operating Fund</u>	<u>Facilities Improvements</u>	<u>Capital Projects</u>	<u>Vehicle Replacement</u>	<u>Special Events Enterprise</u>
\$ 926,903	\$ 320,855	\$ 83,208	\$ 70,847	\$ 72,275
-	-	295,923	26,000	190,000
-	-	113,529	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 926,903</u>	<u>\$ 320,855</u>	<u>\$ 492,660</u>	<u>\$ 96,847</u>	<u>\$ 262,275</u>
\$ 47,042	\$ -	\$ 999	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>47,042</u>	<u>-</u>	<u>999</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	262,275
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
879,861	320,855	491,661	96,847	-
-	-	-	-	-
<u>879,861</u>	<u>320,855</u>	<u>491,661</u>	<u>96,847</u>	<u>262,275</u>
<u>\$ 926,903</u>	<u>\$ 320,855</u>	<u>\$ 492,660</u>	<u>\$ 96,847</u>	<u>\$ 262,275</u>

See independent auditors' report.

**STATE OF NEW MEXICO**  
Town of Taos  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2018

	<u>Capital Projects</u>		<u>Debt Service</u>	
	<u>1994 Gross Receipts Tax Revenue Bond Acquisition</u>	<u>2015 NMFA Fire Pumper</u>	<u>2009 NMFA PPRF Disadvantage Program- Eco Park</u>	<u>2008 Gross Receipts Tax Revenue Bond Retirement</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 94,284	\$ -	\$ 210	\$ 51
Investments	429,751	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	800	-	-	-
<i>Total assets</i>	<u>\$ 524,835</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 51</u>
<i>Liabilities</i>				
Accounts payable	\$ 138	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
Due to other funds	15,927	-	-	-
<i>Total liabilities</i>	<u>16,065</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	508,770	-	-	-
Debt service	-	-	210	51
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>508,770</u>	<u>-</u>	<u>210</u>	<u>51</u>
<i>Total liabilities and fund balances</i>	<u>\$ 524,835</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 51</u>

See independent auditors' report.



**Debt Service**

<b>NMFA Debt Service Reserve Eco Park</b>	<b>2007 NMFA Land Purchase</b>	<b>2011 PPRF Street Improvement</b>	<b>2011 PPRF Street Improvement Reserve</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 192,677	\$ -	\$ 33,794	\$ 170,371	\$ 2,698,564
-	-	-	-	1,426,932
-	-	-	-	280,197
-	-	-	-	189,261
-	-	-	-	800
<u>\$ 192,677</u>	<u>\$ -</u>	<u>\$ 33,794</u>	<u>\$ 170,371</u>	<u>\$ 4,595,754</u>
\$ -	\$ -	\$ -	\$ -	\$ 165,249
-	-	-	-	3,488
-	-	-	-	5,103
-	-	-	-	37,098
-	-	-	-	210,938
-	-	-	-	284,475
-	-	-	-	622,757
-	-	-	-	19,038
-	-	-	-	1
-	-	-	-	15,297
-	-	-	-	771,045
192,677	-	33,794	170,371	397,103
-	-	-	-	113,416
-	-	-	-	9,828
-	-	-	-	25,935
-	-	-	-	339,020
-	-	-	-	1,789,224
-	-	-	-	(2,323)
<u>192,677</u>	<u>-</u>	<u>33,794</u>	<u>170,371</u>	<u>4,384,816</u>
<u>\$ 192,677</u>	<u>\$ -</u>	<u>\$ 33,794</u>	<u>\$ 170,371</u>	<u>\$ 4,595,754</u>

See independent auditors' report.

**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, 2018

	<b>Special Revenue</b>			
	<b>Fire Protection</b>	<b>Recreation</b>	<b>Local Governmental Correction</b>	<b>Law Enforcement Protection</b>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	329,561	-	-	29,600
State capital grants	-	-	-	-
Charges for services	-	-	59,190	-
Licenses and fees	-	-	16,208	-
Investment income	311	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>329,872</u>	<u>-</u>	<u>75,398</u>	<u>29,600</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	108,941	-	94,289	30,864
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	9,671	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>118,612</u>	<u>-</u>	<u>94,289</u>	<u>30,864</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>211,260</u>	<u>-</u>	<u>(18,891)</u>	<u>(1,264)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	(75,094)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(75,094)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	136,166	-	(18,891)	(1,264)
<i>Fund balances - beginning of year</i>	<u>450,217</u>	<u>19,038</u>	<u>55,265</u>	<u>1,264</u>
<i>Fund balances - end of year</i>	<u>\$ 586,383</u>	<u>\$ 19,038</u>	<u>\$ 36,374</u>	<u>\$ -</u>

See independent auditors' report.

**Special Revenue**

<b>Civic Center</b>	<b>Domestic Violence Shelter</b>	<b>Public Transportation</b>	<b>Community Grants</b>	<b>Municipal Road Gasoline Tax</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	109,769
-	-	-	730,489	-
-	-	-	-	-
-	-	-	36,167	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>766,656</u>	<u>109,769</u>
-	-	-	832,890	-
-	-	-	-	-
-	-	-	-	-
-	-	19,600	-	-
-	-	356,559	750	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>376,159</u>	<u>833,640</u>	<u>-</u>
-	-	(376,159)	(66,984)	109,769
-	-	197,205	47,308	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,997)</u>
<u>-</u>	<u>-</u>	<u>197,205</u>	<u>47,308</u>	<u>(111,997)</u>
-	-	(178,954)	(19,676)	(2,228)
<u>(2,323)</u>	<u>1</u>	<u>517,974</u>	<u>133,092</u>	<u>17,525</u>
<u>\$ (2,323)</u>	<u>\$ 1</u>	<u>\$ 339,020</u>	<u>\$ 113,416</u>	<u>\$ 15,297</u>

See independent auditors' report.

**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, 2018

	<b>Special Revenue</b>			
	<b>1/4 Cent Municipal Gross Receipts Tax</b>	<b>Historical District</b>	<b>Communications</b>	<b>Confidential Informant</b>
<i>Revenues</i>				
<i>Taxes:</i>				
Gross receipts	\$ 975,641	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	117,670	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>975,641</u>	<u>117,670</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	118,884	-	-
Capital outlay	-	35,000	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>153,884</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>975,641</u>	<u>(36,214)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	(916,174)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(916,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	59,467	(36,214)	-	-
<i>Fund balances - beginning of year</i>	<u>225,008</u>	<u>62,149</u>	<u>-</u>	<u>9,828</u>
<i>Fund balances - end of year</i>	<u>\$ 284,475</u>	<u>\$ 25,935</u>	<u>\$ -</u>	<u>\$ 9,828</u>

See independent auditors' report.

<u>Special Revenue</u>	<u>Capital Projects</u>			
<u>Capital Maintenance Operating Fund</u>	<u>Facilities Improvements</u>	<u>Capital Projects</u>	<u>Vehicle Replacement</u>	<u>Special Events Enterprise</u>
\$ -	\$ -	\$ 731,731	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	574,010	-	-	-
-	13,267	-	-	-
-	22,807	-	-	-
-	-	-	-	8,944
-	-	-	-	-
-	-	3,792	-	-
4,800	-	-	19,446	-
<u>4,800</u>	<u>610,084</u>	<u>735,523</u>	<u>19,446</u>	<u>8,944</u>
301,937	-	-	-	76,159
-	-	-	-	-
-	-	28,495	-	-
-	-	-	-	-
144,159	819,717	163,869	-	-
-	-	-	-	-
-	-	-	-	-
<u>446,096</u>	<u>819,717</u>	<u>192,364</u>	<u>-</u>	<u>76,159</u>
<u>(441,296)</u>	<u>(209,633)</u>	<u>543,159</u>	<u>19,446</u>	<u>(67,215)</u>
1,111,448	-	254,576	50,000	-
-	(200,000)	(784,000)	-	-
<u>1,111,448</u>	<u>(200,000)</u>	<u>(529,424)</u>	<u>50,000</u>	<u>-</u>
670,152	(409,633)	13,735	69,446	(67,215)
<u>209,709</u>	<u>730,488</u>	<u>477,926</u>	<u>27,401</u>	<u>329,490</u>
<u>\$ 879,861</u>	<u>\$ 320,855</u>	<u>\$ 491,661</u>	<u>\$ 96,847</u>	<u>\$ 262,275</u>

See independent auditors' report.

**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, 2018

	<u>Capital Projects</u>	<u>Debt Service Fund</u>		
	<b>1994 Gross Receipts Tax Revenue Bond Acquisition</b>	<b>2015 NMFA Fire Pumper</b>	<b>2009 NMFA PPRF Disadvantage Program- Eco Park</b>	<b>2008 Gross Receipts Tax Revenue Bond Retirement</b>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	6,890	-	-	-
Miscellaneous	11,000	-	-	-
<i>Total revenues</i>	<u>17,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	292	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	18,532	-	-	-
Debt service:				
Principal	-	72,004	140,919	385,000
Interest	-	2,798	39,837	166,775
<i>Total expenditures</i>	<u>18,532</u>	<u>75,094</u>	<u>180,756</u>	<u>551,775</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(642)</u>	<u>(75,094)</u>	<u>(180,756)</u>	<u>(551,775)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	75,094	180,753	551,825
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>75,094</u>	<u>180,753</u>	<u>551,825</u>
<i>Net change in fund balances</i>	(642)	-	(3)	50
<i>Fund balances - beginning of year</i>	<u>509,412</u>	<u>-</u>	<u>213</u>	<u>1</u>
<i>Fund balances - end of year</i>	<u>\$ 508,770</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 51</u>

See independent auditors' report.

**Debt Service Fund**

<b>NMFA Debt Service Reserve Eco Park</b>	<b>2007 NMFA Land Purchase</b>	<b>2011 PPRF Street Improvement</b>	<b>2011 PPRF Street Improvement Reserve</b>	<b>Total Nonmajor Governmental Funds</b>
	\$ -	\$ -	\$ -	\$ 1,707,372
-	-	-	-	109,769
	-	-	-	730,489
-	-	-	-	574,010
-	-	-	-	408,595
-	-	-	-	22,807
-	-	-	-	68,134
-	-	-	-	133,878
3,351	-	-	2,829	17,173
-	-	-	-	35,246
<u>3,351</u>	<u>-</u>	<u>-</u>	<u>2,829</u>	<u>3,807,473</u>
-	-	-	-	1,211,278
-	-	-	-	234,094
-	-	-	-	28,495
-	-	-	-	138,484
-	-	-	-	1,548,257
-	-	155,308	-	753,231
-	-	18,034	-	227,444
-	-	<u>173,342</u>	<u>-</u>	<u>4,141,283</u>
<u>3,351</u>	<u>-</u>	<u>(173,342)</u>	<u>2,829</u>	<u>(333,810)</u>
-	-	191,246	-	2,659,455
-	(386)	-	(3,857)	(2,091,508)
-	<u>(386)</u>	<u>191,246</u>	<u>(3,857)</u>	<u>567,947</u>
3,351	(386)	17,904	(1,028)	234,137
<u>189,326</u>	<u>386</u>	<u>15,890</u>	<u>171,399</u>	<u>4,150,679</u>
<u>\$ 192,677</u>	<u>\$ -</u>	<u>\$ 33,794</u>	<u>\$ 170,371</u>	<u>\$ 4,384,816</u>

See independent auditors' report.

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Deposit and Investment Accounts  
June 30, 2018

<b>Bank Name/Account Name</b>	<b>Account Type</b>	<b>Bank Balance</b>	<b>Deposits in Transit</b>	<b>Outstanding Checks</b>	<b>Book Balance</b>
<b>US Bank</b>					
Clearing Account	Checking	\$ 751,527	\$ -	\$ 751,527	\$ -
Judicial Bond Fund Municipal Court	Checking	1,007	-	-	1,007
Utility Construction Fund	Checking	39,530	-	-	39,530
Water & Sewer System Income Fund	Checking	5,982,324	45,499	31,660	5,996,163
Certificate of Deposit- Investment	CD	-	-	-	-
<i>Total US Bank</i>		<u>6,774,388</u>	<u>45,499</u>	<u>783,187</u>	<u>6,036,700</u>
<b>Centinel Bank</b>					
General Fund	Checking	6,666,263	2,628	293,123	6,375,768
1994 GRT Revenue Bond Acquisition Fund	Checking	95,084	-	-	95,084
HUD Account- Domestic Violence	Checking	1	-	-	1
Water Wastewater Improvements Fund	Checking	896,602	-	-	896,602
ACH Transfer Account	Checking	57,946	-	-	57,946
Payroll Clearing	Checking	4	-	-	4
<i>Total Centinel Bank</i>		<u>7,715,900</u>	<u>2,628</u>	<u>293,123</u>	<u>7,425,405</u>
<i>Bank balance of deposits</i>		<u>\$ 14,490,288</u>	<u>\$ 48,127</u>	<u>\$ 1,076,310</u>	<u>\$ 13,462,105</u>
<b>New Mexico Finance Authority-Investment</b>					
Taos 57 - Debt Service Funds		\$ 10,902	\$ -	\$ -	\$ 10,902
Taos 57 - Debt Service Reserve Funds		181,775	-	-	181,775
Taos 42 - Debt Service Funds		9,432	-	-	9,432
Taos 45- Debt Service Reserve Funds		170,371	-	-	170,371
Taos 21 - Debt Service Funds		646	-	-	646
Taos 70 - Debt Service Funds		4,524	-	-	4,524
Taos 86 - Debt Service Reserve Funds Funds		138,381	-	-	138,381
Taos 85 - Program Funds Funds		60,885	-	-	60,885
<i>Total New Mexico Finance Authority</i>		<u>576,916</u>	<u>-</u>	<u>-</u>	<u>576,916</u>

\*All checking accounts are non-interest bearing

See independent auditors' report.

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<i>Total investments</i>		576,916	-	-	576,916
<i>Total</i>		<u>\$ 15,067,204</u>	<u>\$ 48,127</u>	<u>\$ 1,076,310</u>	14,039,021
Add: New Mexico State Treasurer Local Government Investment Pool					4,143,964
Add: petty cash					<u>1,841</u>
<i>Total deposits and investments</i>					<u>\$ 18,184,826</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 12,327,117
Investments - Exhibit A-1					4,008,564
Restricted cash and cash equivalents - Exhibit A-1					1,699,748
Restricted investments - Exhibit A-1					75,400
Fiduciary funds cash - Exhibit E-1					13,997
Investments - Exhibit E-1					<u>60,000</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$ 18,184,826</u>

See independent auditors' report.

## STATE OF NEW MEXICO

Schedule II

Town of Taos  
 Schedule of Collateral Pledged by Depository  
 For Public Funds  
 June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018
<b>US Bank</b>				
	FHLB	N/A	LOC NO. 525941	\$ 1,000,000
	FHLB	N/A	LOC NO. 525940	9,000,000
<i>Total US Bank</i>				<u>10,000,000</u>

The location of the safekeeper of the above securities is 221 East Fourth Street, Cincinnati, OH 45202

**Centinel Bank**

	Clovis SD 3.00%	08/01/22	189414KC8	200,000
	Los Alamos SD 3.90%	08/01/19	54422NBL9	400,000
	Lea County 4.00%	07/15/21	521513AL5	200,000
	Clovis SD 2.05%	08/01/24	189414JA4	250,000
	Espanola SD 2.125%	09/01/25	29662RBA5	150,000
	Lea County 3.50%	06/15/20	521513AW1	685,125
	Ruidoso SD 2.50%	08/01/21	781338HR2	250,000
	West Las Vegas 2.00%	08/15/22	953769KX3	150,000
	West Las Vegas 2.25%	08/15/18	953769JW7	50,000
	Hobbs SD 2.25%	07/15/21	433866EV8	200,000
	FHLB 3.88%	12/14/18	3133XSUM6	791,084
	Gallup McKinley 2.00%	07/15/21	364010RJ9	175,030
	Torrance ETC County 2.00%	09/01/23	891400PE7	150,000
	Alamogordo NM Muni 3.00%	08/01/25	11464KQ6	250,000
<i>Total Centinel Bank</i>				<u>3,901,239</u>

The location of the safekeeper of the above securities is Independent Bankers Bank, Dallas, TX

*Total Pledged Collateral* \$ 13,901,239

See independent auditors' report.

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund  
For the Year Ended June 30, 2018

Schedule III

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Assets</b>				
Cash	\$ 13,884	\$ 16,403	\$ 16,290	\$ 13,997
Investments	60,000	-	-	60,000
<i>Total assets</i>	<u>\$ 73,884</u>	<u>\$ 16,403</u>	<u>\$ 16,290</u>	<u>\$ 73,997</u>
<b>Liabilities</b>				
Due to other entities	\$ 73,884	\$ 16,403	\$ 16,290	\$ 73,997
<i>Total liabilities</i>	<u>\$ 73,884</u>	<u>\$ 16,403</u>	<u>\$ 16,290</u>	<u>\$ 73,997</u>

See independent auditors' report.

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## **COMPLIANCE SECTION**

**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***

**INDEPENDENT AUDITORS' REPORT**

Town Council  
Town of Taos  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Taos, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of the Town of Taos (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated December 5, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as item 2018-001.

## **Town's Responses to Findings**

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive style.

Cordova CPAs LLC  
Albuquerque, NM  
December 5, 2018

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**FEDERAL FINANCIAL ASSISTANCE**

## REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITORS' REPORT

Town Council  
Town of Taos  
Wayne Johnson  
New Mexico State Auditor  
U.S. Office of Management and Budget  
Taos, New Mexico

#### Report on Compliance for Each Major Federal Program

We have audited the Town of Taos's (the Town) compliance with the types of compliance requirements described in the *OMB 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, 2018. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of 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, 2018.

## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cordova CPAs LLC  
Albuquerque, NM  
December 5, 2018

**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

<b>Federal Grantor or Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through State of New Mexico, Department of Finance &amp; Administration</i>				
Community Development Block Grants	14.228 *	\$ 1,124,010	\$ 500,000	\$ -
<i>Total U.S. Department of Housing and Urban Development</i>		<u>1,124,010</u>	<u>500,000</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
<i>Passed through State of New Mexico, Department of Public Safety</i>				
Taos County Juvenile Accountability Block Grant	16.523	120,262	-	-
STOP VAWA (Violence Against Women)	16.588	60,227	-	-
<i>Total U.S. Department of Justice</i>		<u>180,489</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>				
<i>Passed Through State of New Mexico Energy Minerals Natural Resources</i>				
Community Forestry Assistance Grant- Facilities	10.664	7,199	-	-
<i>Total U.S. Department of Agriculture</i>		<u>7,199</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Transportation</b>				
<i>Federal Aviation Administration (FAA) Airport Improvement Grant</i>				
Runway 12/30 Construction- Phase 2	20.106	3,666,080	-	-
Memorandum of Agreement Overflight Stipulators	20.106	500,356	-	-
<i>Total U.S. Department of Transportation</i>		<u>4,166,436</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 5,478,134</u>	<u>\$ 500,000</u>	<u>\$ -</u>

\* Denotes Major Federal Financial Assistance Program

See independent auditors' report.  
See accompanying notes to schedule of expenditures of federal awards.

**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 fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2. Loans**

The Town did not expend federal awards related to loans or loan guarantees during the year.

**3. 10% de minimus Indirect Cost Rate**

The Town did not elect to use the allowed 10% indirect cost rate.

**4. Federally Funded Insurance**

The Town has no federally funded insurance.

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**STATE OF NEW MEXICO**  
Town of Taos  
Schedule of Findings and Questioned Costs  
June 30, 2018

**Section I – Summary of Auditors’ Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted?                     | None Noted |

*Federal Awards:*

- |   |                                   |                        |        |  |        |                                   |  |
|---|-----------------------------------|------------------------|--------|--|--------|-----------------------------------|--|
| 1. Internal control over major programs:  |                                   |                        |        |  |        |                                   |  |
| a. Material weaknesses identified?  | None Noted                        |                        |        |  |        |                                   |  |
| b. Significant deficiencies identified not considered to be material weaknesses?  | None Noted                        |                        |        |  |        |                                   |  |
| 2. Type of auditors’ report issued on compliance for major programs   | Unmodified                        |                        |        |  |        |                                   |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?   | None Noted                        |                        |        |  |        |                                   |  |
| 4. Identification of major programs:  |                                   |                        |        |  |        |                                   |  |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td></td> </tr> <tr> <td style="text-align: center;">14.228</td> <td style="text-align: center;">Community Development Block Grant</td> </tr> </table> | <u>CFDA</u>                       | <u>Federal Program</u> | Number |  | 14.228 | Community Development Block Grant |  |
| <u>CFDA</u>   | <u>Federal Program</u>            |                        |        |  |        |                                   |  |
| Number  |                                   |                        |        |  |        |                                   |  |
| 14.228  | Community Development Block Grant |                        |        |  |        |                                   |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:   | \$750,000                         |                        |        |  |        |                                   |  |
| d. Auditee qualified as low-risk auditee?   | Yes                               |                        |        |  |        |                                   |  |

**Section II – Financial Statement Findings**

*None noted*

**Section III – Section 12-6-5 NMSA 1978 Findings**

**2018-001 Cafeteria Plan Deductions (Other Noncompliance)**

Condition: During testwork over payroll and the human resource functions, we noted that the Town is including Disability as part of the Section 125 cafeteria plan. This results in reducing the FICA and Medicare wages.

Criteria: According NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. In addition, Section 125 of the Internal Revenue Code provides participants an opportunity to receive certain benefits on a pretax basis. Participants in a cafeteria plan must be permitted to choose among at least one taxable benefit (such as cash) and one qualified benefit.

A qualified benefit is a benefit that does not defer compensation and is excludable from an employee's gross income under a specific provision of the Code, without being subject to the principles of constructive receipt. Qualified benefits include the following:

- Accident and health benefits (but not Archer medical savings accounts or long-term care insurance)
- Adoption assistance
- Dependent care assistance
- Group-term life insurance coverage
- Health savings accounts, including distributions to pay long-term care services

Effect: The FICA and Medicare wage base were incorrectly reduced by the Disability payments during the year in the amount of \$12,887.

Cause: This was a mistake and oversight when the original deduction code set-up was based on the Town paying the disability as a benefit and then switching from the Town to the employee as paying the disability and not creating a new deduction code but using the original and was not noticed by the Town.

Auditors' Recommendations: We recommend that the Town properly code Disability payments so that it is excluded from the cafeteria salary reduction agreement and does not affect the FICA and Medicare wage base. In addition, management should perform a retrospective evaluation of the effect, as a result of this, and ensure the Town complies with all federal regulations.

Agency's Response: Management agrees with the auditors' recommendations. Human Resources Department made the changes when the error was brought to our attention during the first phase of the compliance section of the audit. This included building a new disability deduction code to ensure the disability payment was post tax. The new code was implemented for all employees enrolled in the plan effective 8/25/2018 and will be used for all new enrollments. A list of benefits was created that segregates pre-tax and post-tax deductions to serve as a reminder and prompt the HR Department to update any future changes from the State of New Mexico's benefit package. Responsible positions: Human Resources Director, Human Resources Risk Manager along the Finance Director and Payroll Administrator.

**Section IV – Federal Award Findings**

*None noted*

**Section V – Prior Year Audit Findings**

*None noted*

**STATE OF NEW MEXICO**

Town of Taos  
Other Disclosures  
June 30, 2018

**Exit Conference**

An exit conference was held on December 5, 2018. In attendance were the following:

**Representing the Town of Taos:**

Daniel Barrone - Mayor  
Rick Bellis - Town Manager  
Marietta Fambro - Finance Director  
Nathaniel Evans - Town Councilor and Finance Audit Chair  
Josephine Fresquez - Assistant Finance Director

**Representing Cordova CPAs:**

Robert Gonzales, CPA, Principal  
Robert Cordova, CPA, Principal

**Auditor Prepared Financial Statements**

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of 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.