



TOWN OF TAOS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Page Left Intentionally Blank

INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Taos

June 30, 2019

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		6
FINANCIAL SECTION		
Independent Auditors' Report		8-10
Management's Discussion and Analysis		12-20
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	22-23
Statement of Activities	A-2	24-25
Fund Financial Statements:		
Balance Sheet - Governmental Funds	B-1	26
Reconciliation of the Balance Sheet to the Statement of Net Position		27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual:		
General Fund	C-1	31
Statement of Net Position - Proprietary Funds	D-1	32-35
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	D-2	36-37
Statement of Cash Flows - Proprietary Funds	D-3	39
Statement of Fiduciary Net Position - Custodial Funds	E-1	40
Statement of Changes in Fiduciary Net Position - Custodial Funds	E-2	41
NOTES TO THE FINANCIAL STATEMENTS		42-82
	<u>Statement/ Schedule</u>	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Proportionate Share of the Net Pension Liability	A-1	84-89
Schedule of the Town's Contributions - Public Employees Retirement Association Plan	A-2	90-95
Notes to Required Supplementary Information		97
Schedule of Proportionate Share of the Net OPEB Liability	B-1	98
Schedule of the Town's Contributions - Retiree Health Care OPEB Plan	B-2	99
SUPPLEMENTARY INFORMATION		
Nonmajor Fund Descriptions		102-105
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	A-1	106-111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	A-2	112-117

STATE OF NEW MEXICO

Town of Taos

June 30, 2019

Table of Contents

	<u>Statement/ Schedule</u>	<u>Page</u>
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	I	120-121
Schedule of Collateral Pledged by Depository For Public Funds	II	122
Schedule of Changes in Fiduciary Assets and Liabilities - Custodial Funds	III	123
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 <i>Government Auditing Standards</i>		126-127
Schedule of Findings and Responses		128-129
OTHER DISCLOSURES		130

STATE OF NEW MEXICO

Town of Taos
Official Roster
June 30, 2019

Town Council

<u>Name</u>	<u>Title</u>
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

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Town Council
Town of Taos
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 comparison for the general fund of the Town of Taos (the Town), as of and for the year ended June 30, 2019, 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 of the Town, as of June 30, 2019, 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 84 through 99 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, 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 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 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 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, 2019

Page Left Intentionally Blank

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

We are pleased to present the Town of Taos's financial statements for the fiscal year ended June 30, 2019. 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 \$83,762,307 (*net position*). Of this amount, (\$3,896,587) is (*unrestricted net position*), due to the on-going implementation of GASB Statement No. 68 which is reflected on the financial statements for the fifth time since its inception and the implementation of GASB Statement No. 75 which is reflected for the second time since its inception. The Town along with other governmental entities throughout the entire state have experienced the negative effect with these two GASB Statements. 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 decreased by \$333,740 during the fiscal year. The majority of this overall decrease was due to the change in charges for services under the Solid Waste Fund due to the new contract with Waste Management of New Mexico which has them responsible for collections, billing and revenue receipts for Town customers. Other decreases were to capital grants due to the Airport Runway Construction project completion in the previous year with no revenue for this project received.
- As of June 30, 2019, the Town's governmental activities reported a combined ending net position balance of \$56,238,751. Of this total, \$3,217,731 is designated for debt service and capital projects.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$3,758,822, amounting to 40 percent of total general fund expenditures.
- The Town of Taos' total debt had a net decrease of \$1,114,903 during the year due to scheduled principal payments being paid. Compensated absences decreased by \$36,403 from last fiscal year due to retirements and resignations during the year. The Town paid \$1,193,442 towards the principal of several 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.

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.

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

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

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

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

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

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

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

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

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 Exhibits E-1 and E-2 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 42-82 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 106-117 of this report.

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

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 \$83,762,307 at the close of the current fiscal year.

The significant portion of the Town of Taos' net position represents the Town's investment of \$79,802,707 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 13,325,740	\$ 8,265,553	\$ 21,591,293
Restricted cash, cash equivalents & investments	370,629	1,480,796	1,851,425
Restricted investments	-	75,400	75,400
Bond issuance costs and discount	-	-	-
Capital assets, net of accumulated depreciation	63,696,894	25,078,409	88,775,303
Total assets	<u>77,393,263</u>	<u>34,900,158</u>	<u>112,293,421</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows - pension	2,613,028.00	240,840.00	2,853,868.00
Deferred Outflows - OPEB	245,593.00	33,841.00	279,434.00
Total deferred outflows of resources	<u>2,858,621</u>	<u>274,681</u>	<u>3,133,302</u>
Total assets and deferred outflows of resources	<u>\$ 80,251,884</u>	<u>\$ 35,174,839</u>	<u>\$ 115,426,723</u>
<u>Liabilities</u>			
Current Liabilities	\$ 1,880,088	\$ 1,422,561	\$ 3,302,649
Non-current liabilities	19,102,205	5,808,647	24,910,852
Total liabilities	<u>20,982,293</u>	<u>7,231,208</u>	<u>28,213,501</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows - pension	1,737,187	244,147	1,981,334
Deferred Inflows - OPEB	1,293,653	175,928	1,469,581
Total deferred inflows of resources	<u>3,030,840</u>	<u>420,075</u>	<u>3,450,915</u>
<u>Net Position</u>			
Net investment in capital assets	58,767,904	21,034,803	79,802,707
Restricted	6,604,686	1,251,501	7,856,187
Unrestricted	<u>(9,133,839)</u>	<u>5,237,252</u>	<u>(3,896,587)</u>
Total net position	<u>\$ 56,238,751</u>	<u>\$ 27,523,556</u>	<u>\$ 83,762,307</u>
Total Liabilities and Net Position	<u>\$ 80,251,884</u>	<u>\$ 35,174,839</u>	<u>\$ 115,426,723</u>

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

A portion of the Town of Taos' governmental restricted net position of \$6,604,686 (12 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*, (\$9,133,839) previously stated, continues as a negative due to the implementation of GASB Statement 68 in its fifth year and the implementation of GASB Statement 75 in its second year of reporting in the financials. In the previous year, this amount was (\$10,406,140), the last four 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 decreased by \$333,740 during the fiscal year. This decrease is primarily the result of decreased operating and capital grants, charges for service and increased expenditures in the General Government.

<u>Revenues</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for service	\$ 990,607	\$ 5,628,946	\$ 6,619,553
Operating grants and contributions	1,190,112	167,101	1,357,213
Capital grants and contributions	445,942		445,942
General revenues:			
Property taxes, levied for general purposes	1,102,202	-	1,102,202
Gross receipts taxes	11,021,156	492,806	11,513,962
Gasoline, franchise and motor vehicle	793,359	-	793,359
Lodger's Taxes	1,364,220	-	1,364,220
Interest income (loss)	73,344	50,065	123,409
Miscellaneous income	96,665	30,443	127,108
Transfer to other entity	-		-
Loss on disposal of capital assets	-	-	-
Total Revenues	<u>17,077,607</u>	<u>6,369,361</u>	<u>23,446,968</u>
Program expenses:			
General government	\$ 9,706,830	\$ -	\$ 9,706,830
Public safety	3,366,170	-	3,366,170
Public works	1,343,346	-	1,343,346
Culture and recreation	2,727,465	-	2,727,465
Health and welfare	20,000	-	20,000
Interest and other costs	198,598	-	198,598
Joint water and sewer	-	4,518,704	4,518,704
Solid waste	-	862,079	862,079
Taos Regional Landfill	-	1,037,516	1,037,516
Total Expenses	<u>17,362,409</u>	<u>6,418,299</u>	<u>23,780,708</u>
Change in net position	(284,802)	(48,938)	(333,740)
Net Position, beginning	<u>56,523,553</u>	<u>26,268,929</u>	<u>82,792,482</u>
Net Position, restatement (Note 16)	-	1,303,565	1,303,565
Net Position, beginning as restated	<u>56,523,553</u>	<u>27,572,494</u>	<u>84,096,047</u>
Net Position, ending	<u>\$ 56,238,751</u>	<u>\$ 27,523,556</u>	<u>\$ 83,762,307</u>

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

Governmental activities. Governmental activities decreased the Town of Taos' net position by \$284,802 primarily as the result of a decrease in operating and capital grants and (as previously stated, the Airport Runway project completion in the previous year) and increases in general government expenditures.

Tax revenues account for \$14,280,937 or 84 percent of governmental revenues. Tax revenues are made up of property, gross receipts, gasoline and motor vehicle and other taxes. Tax revenues increased by \$461,600 from last fiscal year.

The General fund received the majority of the Town's program revenue, accounting for \$9,706,829 or 57 percent of total governmental revenues. The primary recipients of these revenues are general government, public safety and culture and recreation.

The Town's direct charges to users of governmental services made up \$990,607 or 6 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 \$48,938, primarily as the result of decrease in charges for services as previously state for the Solid Waste Fund and the new contract with Waste Management of New Mexico.

The Town's direct charges to users of business-type services made up \$5,628,946 or 88 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 decreased by \$795,589 from the previous year, primarily as the result of the takeover by Waste Management for solid waste collections, billing and revenue. Even though revenues were down for solid waste, other areas were slightly up, but 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 \$17,062,329 in the fiscal year ended June 30, 2019, which represents a decrease of \$4,227,162 from the fiscal year ended June 30, 2018. This is largely due to the decrease in federal and state capital grants. Expenditures for governmental functions, totaling \$15,060,358 decreased by approximately \$5,893,360 from the fiscal year ended June 30, 2018. This is largely due to the decrease in expenditures for the Airport Runway Construction completed last fiscal year and nothing in the current year for this 4 year project of over \$20,000,000. In the fiscal year ended June 30, 2019, revenues for governmental functions exceeded expenditures by approximately \$2,001,971.

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 \$3,758,822 along with a minimum fund balance of \$2,361,659.

Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2019 of \$2,509,110, an increase of \$987,241 over the comparable figure from the prior year of \$1,521,869. 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. During the year, there were also several personnel vacancies within several departments that contributed to the expenditures being less than what was originally budgeted.

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

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 \$5,237,252. The total decrease in net position for the enterprise funds was (\$48,938) compared to (\$402,178) from the prior year. This was a much-improved performance from the previous year's decrease. The Town continues to build up the asset management fund to a level in meeting the required replacement of the water and sewer system for years to come.

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, 2019. 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 \$519,174 less than budgeted. This year major adjustments were made at the end of the year for several one-time capital, maintenance and operational requests in several departments within the Town to utilize the favorable variance savings.

	Budget Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variance
	Original	Final		
<i>Expenditures:</i>				
General government	\$ 4,942,731	\$ 4,373,952	\$ 4,035,894	\$ 338,058
Public safety	3,484,224	3,072,096	2,968,669	103,427
Public works	1,182,840	988,904	958,859	30,045
Culture and recreation	1,901,616	1,530,851	1,483,213	47,638
Capital outlay	-	-	-	-
	-	-	-	-
<i>Total Expenditures</i>	\$ 11,511,411	\$ 9,965,803	\$ 9,446,635	\$ 519,168

STATE OF NEW MEXICO
Town of Taos
Management's Discussion and Analysis
June 30, 2019

Capital Asset and Debt Administration

Capital assets. The Town of Taos' capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$88,775,303 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and infrastructure. The Town's capital assets for the current fiscal year decreased \$3,090,243 for governmental activities and decreased \$597,796 for business-type activities (net of accumulated depreciation).

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

- \$1,987,211 of additions to governmental infrastructure and equipment/vehicles for completion and/or purchase of the following – Airport De-Icing Equipment, Resurfacing of Placitas, Salazar, Albright, Gusdorf, Ranchitos and Camino de Medio Roads, Youth & Family Center Dectron and Pool Boiler, Servers, 4 new police units and a new street sweeper.
- \$1,455,207 of additions to the business-type infrastructure of the following – Water System Improvements and NM68 Water/Sewer Lines prepayment to NMDOT.

	Governmental Activities	Business-like Activities	Total
Land	\$ 6,615,288	\$ 262,422	\$ 6,877,710
Constuction in progress	497,237	976,376	1,473,613
Land improvements	7,461,945	104,895	7,566,840
Buildings and improvements	35,874,012	4,656,981	40,530,993
Machinery and Equipment	16,741,413	9,658,758	26,400,171
Infrastructure	84,673,698	38,871,138	123,544,836
Total capital assets	<u>151,863,593</u>	<u>54,530,570</u>	<u>206,394,163</u>
Less: accumulated depreciation	<u>(88,166,699)</u>	<u>(29,452,161)</u>	<u>(117,618,860)</u>
Total property, plant and equipment, net of accumulated depreciation	<u>\$ 63,696,894</u>	<u>\$ 25,078,409</u>	<u>\$ 88,775,303</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, 2019

Debt Administration. At the end of the current fiscal year, the Town of Taos had total long-term obligations outstanding of \$11,394,297. In total, outstanding debt decreased by \$1,151,312 from the previous fiscal year. The Town continues to look at options of either paying off early or refinancing those loans with higher interest rates and low balances to further reduce outstanding debt.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue Bonds	\$ 3,275,000	\$ 1,597,600	\$ 4,872,600
NMFA amd RUS Loans	1,626,440	2,446,006	4,072,446
USDA Contract Payable	-	-	-
Compensated absences	644,442	91,885	736,327
Landfill Closure Liability	-	409,365	409,365
	<u>\$ 5,545,882</u>	<u>\$ 4,544,856</u>	<u>\$ 10,090,738</u>
Total long-term liabilities	<u>\$ 5,545,882</u>	<u>\$ 4,544,856</u>	<u>\$ 10,090,738</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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 8,012,895	\$ 5,674,703	\$ 13,687,598
Investments	2,415,683	1,598,881	4,014,564
Receivables:			
Property taxes	163,862	-	163,862
Taxes receivable	2,286,653	86,404	2,373,057
Due from other governments	218,690	143,570	362,260
Customer receivable, net	-	731,266	731,266
Inventory	203,968	54,718	258,686
Internal balances	23,989	(23,989)	-
<i>Total current assets</i>	<u>13,325,740</u>	<u>8,265,553</u>	<u>21,591,293</u>
Noncurrent assets			
Restricted cash and cash equivalents	370,629	1,480,796	1,851,425
Restricted investments	-	75,400	75,400
Capital assets	151,863,593	54,530,570	206,394,163
Less: accumulated depreciation	<u>(88,166,699)</u>	<u>(29,452,161)</u>	<u>(117,618,860)</u>
<i>Total noncurrent assets</i>	<u>64,067,523</u>	<u>26,634,605</u>	<u>90,702,128</u>
<i>Total assets</i>	<u>77,393,263</u>	<u>34,900,158</u>	<u>112,293,421</u>
Deferred outflows of resources			
Deferred outflows- pension	2,613,028	240,840	2,853,868
Deferred outflows- OPEB	<u>245,593</u>	<u>33,841</u>	<u>279,434</u>
<i>Total deferred outflows of resources</i>	<u>2,858,621</u>	<u>274,681</u>	<u>3,133,302</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 80,251,884</u>	<u>\$ 35,174,839</u>	<u>\$ 115,426,723</u>

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

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 363,570	\$ 637,331	\$ 1,000,901
Accrued payroll	273,904	37,006	310,910
Accrued compensated absences	416,190	36,318	452,508
Deposits held in trust for others	5,103	304,695	309,798
Accrued interest	18,940	64,089	83,029
Current portion of bonds and notes payable	802,381	343,122	1,145,503
<i>Total current liabilities</i>	<u>1,880,088</u>	<u>1,422,561</u>	<u>3,302,649</u>
Noncurrent liabilities			
Accrued compensated absences	228,252	55,567	283,819
Bond premiums, net of accumulated amortization of \$43,292	27,550	-	27,550
Bonds payable	2,860,000	1,534,600	4,394,600
Loans and notes payable	1,239,059	2,165,884	3,404,943
Landfill closure and post-closure	-	409,365	409,365
Net pension liability	9,738,652	964,274	10,702,926
Net OPEB liability	5,008,692	678,957	5,687,649
<i>Total noncurrent liabilities</i>	<u>19,102,205</u>	<u>5,808,647</u>	<u>24,910,852</u>
<i>Total liabilities</i>	<u>20,982,293</u>	<u>7,231,208</u>	<u>28,213,501</u>
Deferred inflows of resources			
Deferred inflows- pension	1,737,187	244,147	1,981,334
Deferred inflows- OPEB	1,293,653	175,928	1,469,581
<i>Total deferred inflows of resources</i>	<u>3,030,840</u>	<u>420,075</u>	<u>3,450,915</u>
Net position			
Net investment in capital assets	58,767,904	21,034,803	79,802,707
Restricted for:			
Debt service	1,048,310	-	1,048,310
Capital projects	2,169,421	-	2,169,421
Special revenue projects	3,386,955	-	3,386,955
Landfill	-	1,251,501	1,251,501
Unrestricted	<u>(9,133,839)</u>	<u>5,237,252</u>	<u>(3,896,587)</u>
<i>Total net position</i>	<u>56,238,751</u>	<u>27,523,556</u>	<u>83,762,307</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 80,251,884</u>	<u>\$ 35,174,839</u>	<u>\$ 115,426,723</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, 2019

<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>	
Governmental Activities:				
General government	\$ 9,603,379	\$ 820,029	\$ 736,517	\$ -
Public safety	3,492,436	-	370,609	-
Public works	1,627,609	-	82,986	445,942
Culture and recreation	2,440,387	170,578	-	-
Interest	198,598	-	-	-
<i>Total governmental activities</i>	<u>17,362,409</u>	<u>990,607</u>	<u>1,190,112</u>	<u>445,942</u>
Business-type Activities:				
Water and Sewer	4,518,704	3,652,886	-	167,101
Solid Waste	862,079	728,343	-	-
Taos Regional Landfill	1,037,516	1,247,717	-	-
<i>Total business-type activities</i>	<u>6,418,299</u>	<u>5,628,946</u>	<u>-</u>	<u>167,101</u>
<i>Total</i>	<u>\$ 23,780,708</u>	<u>\$ 6,619,553</u>	<u>\$ 1,190,112</u>	<u>\$ 613,043</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

Governmental Activities	Business-type Activities	Total
\$ (8,046,833)	\$ -	\$ (8,046,833)
(3,121,827)	-	(3,121,827)
(1,098,681)	-	(1,098,681)
(2,269,809)	-	(2,269,809)
(198,598)	-	(198,598)
<u>(14,735,748)</u>	<u>-</u>	<u>(14,735,748)</u>
-	(698,717)	(698,717)
-	(133,736)	(133,736)
-	210,201	210,201
<u>-</u>	<u>(622,252)</u>	<u>(622,252)</u>
<u>(14,735,748)</u>	<u>(622,252)</u>	<u>(15,358,000)</u>
11,021,156	492,806	11,513,962
1,102,202	-	1,102,202
793,359	-	793,359
1,364,220	-	1,364,220
73,344	50,065	123,409
96,665	30,443	127,108
<u>14,450,946</u>	<u>573,314</u>	<u>15,024,260</u>
<u>(284,802)</u>	<u>(48,938)</u>	<u>(333,740)</u>
56,523,553	26,268,929	82,792,482
-	1,303,565	1,303,565
<u>56,523,553</u>	<u>27,572,494</u>	<u>84,096,047</u>
<u>\$ 56,238,751</u>	<u>\$ 27,523,556</u>	<u>\$ 83,762,307</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, 2019

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,437,695	\$ 4,945,829	\$ 8,383,524
Investments	1,209,597	1,206,086	2,415,683
Receivables:			
Property taxes	163,862	-	163,862
Taxes receivable	1,806,655	479,998	2,286,653
Due from other governments	2,196	216,494	218,690
Inventory	165,521	38,447	203,968
Due from other funds	23,989	-	23,989
<i>Total assets</i>	<u>\$ 6,809,515</u>	<u>\$ 6,886,854</u>	<u>\$ 13,696,369</u>
Liabilities, deferred inflows of resources, and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 118,605	\$ 244,965	\$ 363,570
Accrued payroll	260,744	13,160	273,904
Deposits held in trust for others	-	5,103	5,103
<i>Total liabilities</i>	<u>379,349</u>	<u>263,228</u>	<u>642,577</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	144,164	-	144,164
<i>Total deferred inflows of resources</i>	<u>144,164</u>	<u>-</u>	<u>144,164</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	165,521	38,447	203,968
Spendable:			
Restricted for:			
General government	-	172,780	172,780
Public safety	-	667,587	667,587
Culture and recreation	-	626,089	626,089
Transportation and roads	-	15,660	15,660
Capital improvements	-	593,312	593,312
Debt service	-	1,050,087	1,050,087
Committed to:			
General government	-	121,924	121,924
Public safety	-	9,828	9,828
Culture and recreation	-	39,466	39,466
Transportation and roads	-	923,510	923,510
Capital improvements	-	2,367,259	2,367,259
Minimum fund balance	2,361,659	-	2,361,659
Unassigned	3,758,822	(2,323)	3,756,499
<i>Total fund balances</i>	<u>6,286,002</u>	<u>6,623,626</u>	<u>12,909,628</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 6,809,515</u>	<u>\$ 6,886,854</u>	<u>\$ 13,696,369</u>

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

STATE OF NEW MEXICO
Town of Taos
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

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	\$ 12,909,628
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	63,696,894
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	144,164
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	2,613,028
Deferred outflows- OPEB	245,593
Deferred inflows- pension	(1,737,187)
Deferred inflows- OPEB	(1,293,653)
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	(4,901,440)
Bond premiums	(27,550)
Accrued interest	(18,940)
Accrued compensated absences	(644,442)
Net pension liability	(9,738,652)
Net OPEB liability	(5,008,692)
<u>Net position of governmental activities</u>	<u>\$ 56,238,751</u>

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

STATE OF NEW MEXICO

Town of Taos

Exhibit B-2

Page 1 of 2

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 1,086,924	\$ -	\$ 1,086,924
Gross receipts taxes	9,296,386	1,724,770	11,021,156
Gasoline, franchise, and motor vehicle	702,261	91,098	793,359
Lodger's tax	-	1,364,220	1,364,220
Intergovernmental:			
Federal operating grants	2,778	166,633	169,411
Federal capital grants	-	206,670	206,670
State operating grants	132,335	888,366	1,020,701
State capital grants	-	239,272	239,272
Charges for services	108,305	238,658	346,963
Licenses and fees	514,685	128,959	643,644
Investment income	37,038	36,306	73,344
Miscellaneous	75,033	21,632	96,665
<i>Total revenues</i>	<u>11,955,745</u>	<u>5,106,584</u>	<u>17,062,329</u>
<i>Expenditures</i>			
Current:			
General government	4,035,894	1,018,753	5,054,647
Public safety	2,968,669	374,356	3,343,025
Public works	958,859	307,780	1,266,639
Culture and recreation	1,483,213	943,196	2,426,409
Capital outlay	-	1,987,211	1,987,211
Debt service:			
Principal	-	777,252	777,252
Interest	-	205,175	205,175
<i>Total expenditures</i>	<u>9,446,635</u>	<u>5,613,723</u>	<u>15,060,358</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,509,110</u>	<u>(507,139)</u>	<u>2,001,971</u>
<i>Other financing sources (uses)</i>			
Transfers in	5,476,816	4,632,408	10,109,224
Transfers (out)	(6,733,266)	(3,375,958)	(10,109,224)
<i>Total other financing sources (uses)</i>	<u>(1,256,450)</u>	<u>1,256,450</u>	<u>-</u>
<i>Net change in fund balance</i>	1,252,660	749,311	2,001,971
<i>Fund balance - beginning of year</i>	<u>5,033,342</u>	<u>5,874,315</u>	<u>10,907,657</u>
<i>Fund balance - end of year</i>	<u>\$ 6,286,002</u>	<u>\$ 6,623,626</u>	<u>\$ 12,909,628</u>

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

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, 2019

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	\$	2,001,971
<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		1,987,211
Depreciation expense		(5,077,454)
<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		15,278
<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		564,736
Pension expense		(662,974)
Town OPEB contributions subsequent to measurement date		95,787
OPEB expense		(25,038)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Decrease in accrued compensated absences		31,852
Decrease in accrued interest		2,642
<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		3,935
Principal payments on loans		777,252
		777,252
<i>Change in net position of governmental activities</i>	\$	(284,802)

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

Page Left Intentionally Blank

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, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 1,041,067	\$ 1,047,308	\$ 1,086,924	\$ 39,616
Gross receipts	9,051,845	9,183,027	9,296,386	113,359
Gasoline, franchise and motor vehicle	597,206	725,828	702,261	(23,567)
Intergovernmental:				
Federal operating grants	-	-	2,778	2,778
State operating grants	90,000	90,000	132,335	42,335
Charges for services	115,679	115,679	108,305	(7,374)
Licenses and fees	494,467	494,467	514,685	20,218
Investment income	21,568	21,568	37,038	15,470
Miscellaneous	107,687	107,687	75,033	(32,654)
<i>Total revenues</i>	<u>11,519,519</u>	<u>11,785,564</u>	<u>11,955,745</u>	<u>170,181</u>
<i>Expenditures</i>				
Current:				
General government	4,942,731	4,373,952	4,035,894	338,058
Public safety	3,484,224	3,072,096	2,968,669	103,427
Public works	1,182,840	988,904	958,859	30,045
Culture and recreation	1,901,616	1,530,851	1,483,213	47,638
<i>Total expenditures</i>	<u>11,511,411</u>	<u>9,965,803</u>	<u>9,446,635</u>	<u>519,168</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,108</u>	<u>1,819,761</u>	<u>2,509,110</u>	<u>689,349</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	283,554	552,050	-	(552,050)
Transfers in	4,817,620	5,476,816	5,476,816	-
Transfers (out)	(5,109,282)	(7,848,627)	(6,733,266)	1,115,361
<i>Total other financing sources (uses)</i>	<u>(8,108)</u>	<u>(1,819,761)</u>	<u>(1,256,450)</u>	<u>563,311</u>
<i>Net change in fund balance</i>	-	-	1,252,660	1,252,660
<i>Fund balance - beginning of year</i>	-	-	5,033,342	5,033,342
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,286,002</u>	<u>\$ 6,286,002</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, 2019

	Water and Sewer	Solid Waste
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 3,831,337	\$ 472,081
Investments	1,349,781	249,100
Taxes receivable	86,404	-
Due from other governments	143,570	-
Customer receivables, net	616,467	7,019
Inventory	54,718	-
<i>Total current assets</i>	6,082,277	728,200
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	304,695	-
Restricted investments	-	-
Capital assets	46,519,622	1,134,674
Less: accumulated depreciation	(25,948,068)	(770,529)
<i>Total noncurrent assets</i>	20,876,249	364,145
<i>Total assets</i>	26,958,526	1,092,345
Deferred outflows of resources		
Deferred outflows- pension	145,387	38,722
Deferred outflows- OPEB	19,644	5,668
<i>Total deferred outflows of resources</i>	165,031	44,390
<i>Total assets and deferred outflows of resources</i>	\$ 27,123,557	\$ 1,136,735

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

Taos Regional Landfill	Total
\$ 1,371,285	\$ 5,674,703
-	1,598,881
-	86,404
-	143,570
107,780	731,266
-	54,718
<u>1,479,065</u>	<u>8,289,542</u>
1,176,101	1,480,796
75,400	75,400
6,876,274	54,530,570
<u>(2,733,564)</u>	<u>(29,452,161)</u>
<u>5,394,211</u>	<u>26,634,605</u>
<u>6,873,276</u>	<u>34,924,147</u>
56,731	240,840
<u>8,529</u>	<u>33,841</u>
<u>65,260</u>	<u>274,681</u>
<u>\$ 6,938,536</u>	<u>\$ 35,198,828</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, 2019

	<u>Water and Sewer</u>	<u>Solid Waste</u>
Liabilities		
<i>Current liabilities</i>		
Accounts payable	\$ 572,151	\$ 15,100
Accrued payroll	23,660	4,262
Accrued compensated absences	25,506	2,120
Due to other funds	16,608	-
Deposits held in trust for others	304,695	-
Accrued interest	62,589	-
Current maturity of loans payable	169,830	-
<i>Total current liabilities</i>	<u>1,175,039</u>	<u>21,482</u>
<i>Noncurrent liabilities</i>		
Accrued compensated absences	37,544	280
Bonds payable	1,534,600	-
Loans and notes payable	1,247,064	-
Landfill closure and post-closure costs	-	-
Net pension liability	614,783	125,827
Net OPEB liability	394,120	113,711
<i>Total noncurrent liabilities</i>	<u>3,828,111</u>	<u>239,818</u>
<i>Total liabilities</i>	<u>5,003,150</u>	<u>261,300</u>
Deferred inflows of resources		
Deferred inflows- pension	145,618	37,502
Deferred inflows- OPEB	102,124	29,464
<i>Total deferred inflows of resources</i>	<u>247,742</u>	<u>66,966</u>
Net position		
Net investment in capital assets	17,620,060	364,145
Restricted for:		
Landfill	-	-
Unrestricted	4,252,605	444,324
<i>Total net position</i>	<u>21,872,665</u>	<u>808,469</u>
<i>Total liabilities and net position</i>	<u>\$ 27,123,557</u>	<u>\$ 1,136,735</u>

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

Taos Regional Landfill	Total
\$ 50,080	\$ 637,331
9,084	37,006
8,692	36,318
7,381	23,989
-	304,695
1,500	64,089
173,292	343,122
250,029	1,446,550
17,743	55,567
-	1,534,600
918,820	2,165,884
409,365	409,365
223,664	964,274
171,126	678,957
1,740,718	5,808,647
1,990,747	7,255,197
61,027	244,147
44,340	175,928
105,367	420,075
3,050,598	21,034,803
1,251,501	1,251,501
540,323	5,237,252
4,842,422	27,523,556
\$ 6,938,536	\$ 35,198,828

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, 2019

	<u>Water and Sewer</u>	<u>Solid Waste</u>
<i>Operating revenues</i>		
Charges for services	\$ 3,652,886	\$ 728,343
<i>Total operating revenues</i>	<u>3,652,886</u>	<u>728,343</u>
<i>Operating expenses</i>		
Depreciation	1,670,164	59,368
Personnel services	640,352	115,261
Contractual services	1,096,220	491,118
Supplies and purchases	9,928	2,973
Maintenance and materials	130,555	48,749
Utilities	552,882	138,420
Non-capital equipment	12,264	-
Other costs	301,666	6,190
<i>Total operating expenses</i>	<u>4,414,031</u>	<u>862,079</u>
<i>Operating income (loss)</i>	<u>(761,145)</u>	<u>(133,736)</u>
<i>Non-operating revenues (expenses)</i>		
Gross receipts taxes	492,806	-
Interest expense	(83,257)	-
Investment income	42,779	-
Miscellaneous income	23	30,420
<i>Total non-operating revenues (expenses)</i>	<u>452,351</u>	<u>30,420</u>
<i>Income (loss) before contributions and transfers</i>	<u>(308,794)</u>	<u>(103,316)</u>
Capital grants	167,101	-
Transfers in	3,851,410	-
Transfers (out)	(3,851,410)	-
<i>Change in net position</i>	<u>(141,693)</u>	<u>(103,316)</u>
<i>Total net position, beginning of year</i>	22,018,883	911,785
<i>Total net position, reclassification / restatement (Note 16)</i>	<u>(4,525)</u>	<u>-</u>
<i>Total net position, beginning as reclassified and restated</i>	<u>22,014,358</u>	<u>911,785</u>
<i>Total net position, end of year</i>	<u>\$ 21,872,665</u>	<u>\$ 808,469</u>

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

Taos Regional Landfill	Total
\$ 1,247,717	\$ 5,628,946
<u>1,247,717</u>	<u>5,628,946</u>
323,471	2,053,003
264,849	1,020,462
128,415	1,715,753
677	13,578
97,316	276,620
8,374	699,676
-	12,264
<u>214,448</u>	<u>522,304</u>
<u>1,037,550</u>	<u>6,313,660</u>
<u>210,167</u>	<u>(684,714)</u>
-	492,806
(21,382)	(104,639)
7,286	50,065
<u>-</u>	<u>30,443</u>
<u>(14,096)</u>	<u>468,675</u>
<u>196,071</u>	<u>(216,039)</u>
-	167,101
589,877	4,441,287
<u>(589,877)</u>	<u>(4,441,287)</u>
<u>196,071</u>	<u>(48,938)</u>
3,338,261	26,268,929
<u>1,308,090</u>	<u>1,303,565</u>
<u>4,646,351</u>	<u>27,572,494</u>
<u>\$ 4,842,422</u>	<u>\$ 27,523,556</u>

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

Page Left Intentionally Blank

STATE OF NEW MEXICO
Town of Taos
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Exhibit D-3

	Water and Sewer	Solid Waste	Taos Regional Landfill	Total
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$ 3,526,882	\$ 921,121	\$ 1,285,512	\$ 5,733,515
Cash payments to employees for services	(628,276)	(122,100)	(271,732)	(1,022,108)
Cash payments to suppliers for goods and services	(1,956,830)	(717,103)	(891,254)	(3,565,187)
<i>Net cash provided by operating activities</i>	<u>941,776</u>	<u>81,918</u>	<u>122,526</u>	<u>1,146,220</u>
<i>Cash flows from noncapital financing activities:</i>				
Gross receipts taxes	492,806	-	-	492,806
Miscellaneous income	23	30,420	-	30,443
Repayment of interfund loans	(18,264)	(3,464)	1,413	(20,315)
Transfers (net)	-	-	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>474,565</u>	<u>26,956</u>	<u>1,413</u>	<u>502,934</u>
<i>Cash flows from investing activities:</i>				
Purchase of investments	(2,421)	-	-	(2,421)
Interest on investments	42,779	-	8,506	51,285
<i>Net cash provided by investing activities</i>	<u>40,358</u>	<u>-</u>	<u>8,506</u>	<u>48,864</u>
<i>Cash flows from capital and related financing activities:</i>				
Interest paid	(85,663)	-	(21,382)	(107,045)
Capital grants	167,101	-	-	167,101
Acquisition of capital assets	(1,452,430)	-	(2,777)	(1,455,207)
Principal payments on loans	(166,711)	-	(170,946)	(337,657)
<i>Net cash (used) by capital and related financing activities</i>	<u>(1,537,703)</u>	<u>-</u>	<u>(195,105)</u>	<u>(1,732,808)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(81,004)	108,874	(62,660)	(34,790)
<i>Cash and cash equivalents - beginning of year</i>	4,221,561	363,207	2,605,521	7,190,289
<i>Cash and cash equivalents- reclassification</i>	(4,525)	-	4,525	-
<i>Cash and cash equivalents, as reclassified</i>	<u>4,217,036</u>	<u>363,207</u>	<u>2,610,046</u>	<u>7,190,289</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,136,032</u>	<u>\$ 472,081</u>	<u>\$ 2,547,386</u>	<u>\$ 7,155,499</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (761,145)	\$ (133,736)	\$ 210,167	\$ (684,714)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,670,164	59,368	323,471	2,053,003
Net pension and OPEB expense	3,888	189	1,491	5,568
Changes in assets and liabilities:				
Receivables	(119,417)	192,778	37,795	111,156
Inventory	(20,724)	-	-	(20,724)
Accounts payable	167,409	(29,653)	(442,024)	(304,268)
Accrued payroll expenses	242	(2,136)	(769)	(2,663)
Customer deposits	(6,587)	-	-	(6,587)
Accrued compensated absences	7,946	(4,892)	(7,605)	(4,551)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 941,776</u>	<u>\$ 81,918</u>	<u>\$ 122,526</u>	<u>\$ 1,146,220</u>

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

STATE OF NEW MEXICO
Town of Taos
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2019

Exhibit E-1

Assets	
Cash	\$ 12,291
Investments	<u>60,000</u>
<i>Total assets</i>	<u><u>\$ 72,291</u></u>
 Liabilities	
Due to other entities	<u>\$ 72,291</u>
<i>Total liabilities</i>	<u><u>\$ 72,291</u></u>

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

STATE OF NEW MEXICO
Town of Taos
Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2019

Exhibit E-2

<i>Additions:</i>	
Charges for services	<u>\$ 14,808</u>
<i>Total additions</i>	<u>14,808</u>
 <i>Deductions:</i>	
Contractual services and other	<u>16,514</u>
<i>Total deductions</i>	<u>16,514</u>
Change in custodial funds due to others	(1,706)
Beginning - custodial funds due to others	<u>73,997</u>
Ending - custodial funds due to others	<u><u>\$ 72,291</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, 2019

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. At year end June 30, 2019, there is no GASB Statement No. 77 disclosure requirement.

During the year ended June 30, 2019, the Town adopted GASB Statements No. 83, *Certain Asset Retirement Obligations*, No. 84, *Fiduciary Activities*, No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* as required by GAAP. None of these pronouncements have a significant impact on these financial statements.

A. Financial Reporting Entity

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

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Town 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, 2019

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, 2019

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 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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, street cut deposits, 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.

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

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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)

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 debt service, meter deposits, and landfill purposes, which are restricted as to the specific purpose for which they may be expended. Restricted cash in the amount of \$1,851,425 and restricted investments in the amount of \$75,400, at June 30, 2019 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 2019. No interest was included as part of the cost of capital assets under construction.

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

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

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2019, 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, 2019.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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)

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 \$144,164 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 available financial resources are reported in the government-wide statement of net position.

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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)

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 \$203,968 at June 30, 2019.

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 \$3,125,515 in restricted fund balances at June 30, 2019.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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 \$5,823,646 in committed funds at June 30, 2019 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 3/12th the General Fund expenditures. The Town has also presented committed fund balance on the governmental funds balance sheet including \$2,361,659 for minimum fund balance for the year ended June 30, 2019. 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 102-105.
- 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
Town of Taos
Notes to the Financial Statements
June 30, 2019

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:

	Excess (deficiency) of revenues over expenditures Operating income (loss)	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 8,108	\$ 1,819,761

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
June 30, 2019

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, 2019. 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, 2019, \$14,581,836 of the Town's deposits of \$15,081,836 was exposed to custodial credit risk. \$10,741,642 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$3,840,194 was uninsured and uncollateralized.

	<u>US Bank</u>	<u>Centinel Bank</u>	<u>Total</u>
Amount of deposits	\$ 6,824,271	\$ 8,257,565	\$ 15,081,836
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>6,574,271</u>	<u>8,007,565</u>	<u>14,581,836</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the Town's name	<u>6,574,271</u>	<u>4,167,371</u>	<u>10,741,642</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 3,840,194</u>	<u>\$ 3,840,194</u>
Collateral requirement (50% of uninsured funds)	\$ 3,287,136	\$ 4,003,783	\$ 7,290,919
Pledged Collateral	<u>8,000,000</u>	<u>4,167,371</u>	<u>12,167,371</u>
Over (Under) collateralized	<u>\$ 4,712,864</u>	<u>\$ 163,588</u>	<u>\$ 4,876,452</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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, 2019, 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	35 Days (R); 112 Days (F)	\$ 4,149,964	AAAm
U.S. Treasury Notes	<1 year	532,355	Aaa
		<u>\$ 4,682,319</u>	

The Town has presented \$4,149,964 in investments at year end that is invested in the Local Government Investment Pool. Of the \$4,682,319 noted above \$532,355 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 89% and 11%, 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, 2019

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, 2019:

Total	Level 1	Level 2	Level 3
\$ 4,682,319	\$ 532,355	\$ 4,149,964	\$ -

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 13,687,598
Restricted cash and cash equivalents per Exhibit A-1	1,851,425
Cash and investments - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	72,291
Investments per Exhibit A-1	4,014,564
Restricted investments per Exhibit A-1	<u>75,400</u>
 Total cash, investments, and cash equivalents	 <u>19,701,278</u>
 Add: outstanding checks and other reconciling items	 64,727
Less: NMFA restricted accounts	(532,355)
Less: New Mexico Government Local Investment Pool	(4,149,964)
Less: petty cash	<u>(1,850)</u>
 Bank balance of deposits	 <u>\$ 15,081,836</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 4. Receivables

Governmental receivables as of June 30, 2019 are comprised of the following:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes receivable:			
Property taxes	\$ 163,862	\$ -	\$ 163,862
Gross receipts taxes	1,638,399	302,384	1,940,783
Franchise taxes	142,076	-	142,076
Lodger's taxes	-	161,954	161,954
Oil and gas taxes	19,939	15,660	35,599
MVD taxes	6,241	-	6,241
Total taxes receivable	<u>1,970,517</u>	<u>479,998</u>	<u>2,450,515</u>
Due from other governments:			
State grants	2,196	209,728	211,924
Federal grants	-	6,766	6,766
Total due from other governments	<u>2,196</u>	<u>216,494</u>	<u>218,690</u>
Accounts receivable, net	<u>\$ 1,972,713</u>	<u>\$ 696,492</u>	<u>\$ 2,669,205</u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$144,164 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements as of June 30, 2019.

Business-type activity receivables as of June 30, 2019 are comprised of the following:

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Taos Regional Landfill</u>
Taxes receivable			
Gross receipts taxes	\$ 86,404	\$ -	\$ -
Customer receivable	1,361,683	59,621	125,265
Due from other governments:			
State grants	143,570	-	-
Less: allowance for uncollectable accounts	(745,216)	(52,602)	(17,485)
Accounts receivable, net	<u>\$ 846,441</u>	<u>\$ 7,019</u>	<u>\$ 107,780</u>

	<u>Total</u>
Taxes receivable	
Gross receipts taxes	\$ 86,404
Customer receivable	1,546,569
Due from other governments:	
State grants	143,570
Less: allowance for uncollectable accounts	(815,303)
Accounts receivable, net	<u>\$ 961,240</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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>
General Fund	Water & Sewer Fund	\$ 16,608
General Fund	Taos Regional Landfill Fund	7,381
		<hr/>
Total		\$ 23,989
		<hr/> <hr/>

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Fire Protection	2015 NMFA Fire Pumper Loan	\$ 75,095
1/4 cent Municipal Gross Receipts Tax	Public Transportation	157,623
1/4 cent Municipal Gross Receipts Tax	Capital Projects Fund	28,000
	2009 NMFA PPRF Disadvantage Program	
1/4 cent Municipal Gross Receipts Tax	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	157,169
Capital Projects Fund	Facilities Improvement Fund	97,733
Capital Projects Fund	Vehicle Replacement Fund	201,000
Capital Projects Fund	1999 Gas Tax Fund	450,000
General Fund	Community Grants	65,308
General Fund	2011 PPRF Street Improvement	129,293
General Fund	Facilities Improvement Fund	450,695
General Fund	Capital Projects Fund	80,000
General Fund	Capital Maintenance Operating Fund	481,154
General Fund	Vehicle Replacement Fund	50,000
General Fund	General Fund	5,476,816
Lodger's Tax Fund	Lodger's Tax Promotional	939,158
Lodger's Tax Fund	Public Transportation	446,867
Municipal Road Gas Tax	2011 PPRF Street Improvement	55,373
Municipal Road Gas Tax	1999 Gas Tax Fund	35,362
Taos Regional Landfill	Taos Regional Landfill	49,912
Water and Sewer	Water and Sewer	3,851,410
Taos Regional Landfill	Taos Regional Landfill	539,965
		<hr/>
Total		\$ 14,550,511
		<hr/> <hr/>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2019. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 6,615,288	\$ -	\$ -	\$ 6,615,288
Construction in progress	369,610	127,627	-	497,237
Total not being depreciated	<u>6,984,898</u>	<u>127,627</u>	<u>-</u>	<u>7,112,525</u>
Capital assets being depreciated:				
Land improvements	7,461,945	-	-	7,461,945
Buildings and improvements	35,637,895	236,117	-	35,874,012
Machinery and Equipment	16,171,287	570,126	-	16,741,413
Infrastructure	83,620,357	1,053,341	-	84,673,698
Total being depreciated	<u>142,891,484</u>	<u>1,859,584</u>	<u>-</u>	<u>144,751,068</u>
Total capital assets	<u>149,876,382</u>	<u>1,987,211</u>	<u>-</u>	<u>151,863,593</u>
Accumulated depreciation:				
Land improvements	5,315,607	241,925	-	5,557,532
Buildings and improvements	20,011,146	1,119,297	-	21,130,443
Machinery and Equipment	13,823,423	508,199	-	14,331,622
Infrastructure	43,939,069	3,208,033	-	47,147,102
Total accumulated depreciation	<u>83,089,245</u>	<u>5,077,454</u>	<u>-</u>	<u>88,166,699</u>
Capital assets, net	<u>\$ 66,787,137</u>	<u>\$ (3,090,243)</u>	<u>\$ -</u>	<u>\$ 63,696,894</u>

Depreciation expense for the year ended June 30, 2019 was charged to the functions of the governmental activities as follows:

General	\$ 4,620,483
Public safety	101,550
Public works	355,421
Total	<u>\$ 5,077,454</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 6. Capital Assets (continued)

Business-type Activities:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 262,422	\$ -	\$ -	\$ 262,422
Construction in progress	21,447	954,929	-	976,376
Total not being depreciated	<u>283,869</u>	<u>954,929</u>	<u>-</u>	<u>1,238,798</u>
Capital assets being depreciated:				
Land improvements	104,895	-	-	104,895
Buildings and improvements	4,656,981	-	-	4,656,981
Machinery and Equipment	9,646,954	11,804	-	9,658,758
Infrastructure	38,382,664	488,474	-	38,871,138
Total being depreciated	<u>52,791,494</u>	<u>500,278</u>	<u>-</u>	<u>53,291,772</u>
Total capital assets	<u>53,075,363</u>	<u>1,455,207</u>	<u>-</u>	<u>54,530,570</u>
Accumulated depreciation:				
Land improvements	96,623	403	-	97,026
Buildings and improvements	3,035,839	135,294	-	3,171,133
Machinery and Equipment	8,008,541	301,838	-	8,310,379
Infrastructure	16,258,155	1,615,468	-	17,873,623
Total accumulated depreciation	<u>27,399,158</u>	<u>2,053,003</u>	<u>-</u>	<u>29,452,161</u>
Capital assets, net	<u>\$ 25,676,205</u>	<u>\$ (597,796)</u>	<u>\$ -</u>	<u>\$ 25,078,409</u>

Depreciation expense for the year ended June 30, 2019 was charged to the proprietary funds as follows:

Water and Sewer	\$ 1,670,164
Solid Waste	59,368
Taos Regional Landfill	323,471
Total	<u>\$ 2,053,003</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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:

Governmental Activities:	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Revenue Bonds	\$ 3,675,000	\$ -	\$ 400,000	\$ 3,275,000	\$ 415,000
NMFA Loans	2,003,692	-	377,252	1,626,440	387,381
Compensated Absences	676,294	384,338	416,190	644,442	416,190
Total	\$ 6,354,986	\$ 384,338	\$ 1,193,442	\$ 5,545,882	\$ 1,218,571

Revenue Bonds

At June 30, 2019, 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:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
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, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	485,000	63,630	548,630
2025-2026	1,030,000	65,310	1,095,310
Total	\$ 3,275,000	\$ 566,930	\$ 3,841,930

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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:

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
NMFA Phase I Multi-Phase Eco Park	11/25/2009	5/1/2025	.62-3.67%	\$ 2,213,469
NMFA Revolving Loan Fund				
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, 2019, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	168,293	12,463	180,756
2025	174,350	6,406	180,756
Total	<u>\$ 1,626,440</u>	<u>\$ 147,975</u>	<u>\$ 1,774,415</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, 2019, government-wide compensated absences decreased \$31,852 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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, 2019:

Business-type Activities:	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
Revenue Bonds	\$ 1,657,600	\$ -	\$ 60,000	\$ 1,597,600	\$ 63,000
NMFA and RUS Loans	2,723,657	-	277,651	2,446,006	280,122
Landfill closure and postclosure	1,712,930	-	1,303,565	409,365	-
Compensated Absences	96,436	31,767	36,318	91,885	36,318
Total	\$ 6,190,623	\$ 31,767	\$ 1,677,534	\$ 4,544,856	\$ 379,440

Revenue Bonds

At June 30, 2019, the Town had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
Series 1993A Water and Sewer	3/16/1993	3/16/2033	5.63%	\$ 635,600
Series 1993B Water and Sewer	3/16/1993	3/16/2033	5.50%	\$ 123,000
Series 1995A Water and Sewer	12/5/1995	12/5/2035	5.13%	\$ 1,315,000
Series 1998A Water and Sewer	7/1/1999	1/1/2038	4.75%	\$ 475,000

The annual requirements to amortize the NMFA loans as of June 30, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 63,000	\$ 82,535	\$ 145,535
2021	66,000	79,254	145,254
2022	70,000	75,812	145,812
2023	73,000	72,164	145,164
2024	77,000	68,358	145,358
2025-2029	449,000	277,216	726,216
2030-2034	540,600	146,897	687,497
2035-2039	259,000	27,985	286,985
Total	\$ 1,597,600	\$ 830,221	\$ 2,427,821

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue
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, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 280,116	\$ 18,000	\$ 298,116
2021	283,095	15,312	298,407
2022	286,596	12,108	298,704
2023	290,603	8,388	298,991
2024	295,021	4,272	299,293
2025-2029	730,287	-	730,287
2030-2033	280,288	-	280,288
Total	\$ 2,446,006	\$ 58,080	\$ 2,504,086

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, 2019, business-type compensated absences decreased \$4,551 from the previous year accrual. Compensated absences are liquidated by the respective funds in which they are accrued

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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, 2019:

Civic Center	\$(2,323)
--------------	-----------
- 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, 2019.
- 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, 2019.

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
Town of Taos
Notes to the Financial Statements
June 30, 2019

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.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

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

PERA Contribution Rates and Pension Factors in effect during FY18						
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						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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%

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

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, 2019, the Town reported a liability of \$5,624,937 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018.

There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

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, 2018, the Town’s proportion was 0.3528 percent, which was a decrease of 0.1102 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$228,711. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 509,981	\$ 32,341
Changes in proportion	-	1,181,347
Difference between expected and actual experience	162,572	147,681
Net difference between projected and actual earnings on pension plan investments	417,174	-
Town's contributions subsequent to the measurement date	373,107	-
Total	\$ 1,462,834	\$ 1,361,369

\$373,107 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2019	\$ 123,515
2020	(129,966)
2021	(282,746)
2022	17,555
Thereafter	-
Total	\$ (271,642)

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

PERA Fund Division Municipal Police: At June 30, 2019, The Town reported a liability of \$3,479,752 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

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, 2018, the Town's proportion was 0.5100 percent, which was an increase of 0.0226 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$415,578. At June 30, 2019, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 397,044	\$ 21,273
Changes in proportion	122,859	10,849
Difference between expected and actual experience	170,353	344,934
Net difference between projected and actual earnings on pension plan investments	239,456	-
Town's contributions subsequent to the measurement date	<u>211,817</u>	<u>-</u>
Total	<u>\$ 1,141,529</u>	<u>\$ 377,056</u>

\$211,817 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2019	\$ 319,996
2020	107,059
2021	112,766
2022	12,835
Thereafter	-
Total	<u>\$ 552,656</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

PERA Fund Division Municipal Fire: At June 30, 2019, The Town reported a liability of \$1,598,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

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, 2018, the Town's proportion was 0.2497 percent, which was a decrease of 0.0256 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$137,633. At June 30, 2019, 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	\$ 92,303	\$ 5,836
Changes in proportion	7,002	120,514
Difference between expected and actual experience	25,684	116,559
Net difference between projected and actual earnings on pension plan investments	56,046	-
Town's contributions subsequent to the measurement date	<u>68,470</u>	<u>-</u>
Total	<u>\$ 249,505</u>	<u>\$ 242,909</u>

\$68,470 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2019	\$ 10,722
2020	(49,848)
2021	(25,195)
2022	2,447
Thereafter	-
	<u>\$ (61,874)</u>

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial Assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality Assumption	The morality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward oneyear. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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:

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

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%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Municipal General Division

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 8,667,652	\$ 5,624,937	\$ 3,109,647

PERA Fund Municipal Police Division

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 5,350,430	\$ 3,479,752	\$ 1,954,706

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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

PERA Fund Municipal Fire Division

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 2,133,525	\$ 1,598,237	\$ 1,159,725

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, 2019, the Town had payables to the plan in the amount of \$54,100.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</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 \$163,686 for the year ended June 30, 2019.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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, 2019, the Town reported a liability of \$5,687,649 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the Town's proportion was 0.13080 percent.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$38,771. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 336,745
Net difference between expected and actual investments on OPEB plan investments	-	70,980
Change of assumptions	-	1,061,856
Changes in proportion	170,308	-
Town's contributions subsequent to the measurement date	109,126	-
Total	\$ 279,434	\$ 1,469,581

Deferred outflows of resources totaling \$109,126 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:

2020	\$	(337,307)
2021		(337,307)
2022		(337,307)
2023		(252,269)
2024		(35,083)

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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% to 12.50%, based on years of service, including inflation
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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 4.08% as of June 30, 2018. 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, 2029. 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 (3.87%) was applied. Thus, 4.08% 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Town's proportionate share of the net OPEB liability	\$ 6,883,394	\$ 5,687,649	\$ 4,745,134

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:

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
Town's proportionate share of the net OPEB liability	\$ 4,808,057	\$ 5,687,649	\$ 6,377,268

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, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the Town reported a payable of \$6,165 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

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 \$409,365 as of June 30, 2019, which is based on 24 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, 2019. 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, 2019 cash of \$1,176,101 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, 2019

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	None in Fiscal year 2018-2019
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	Until terminated
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, 2019

NOTE 15. Construction and Other Significant Commitments

The Town has committed to pay for several construction contracts that were not completed at June 30, 2019 in the amount of \$3,005,024 as follows:

Project Description	Contract Amount Remaining	Contractor
Bureau of Reclamation - Abeyta Settlement Agreement	\$ 2,494,913	Daniel B. Stephens & Associates
NM 68 Utility Relocation Engineering Design	35,470	Miller Engineers, Inc.
Tank Replacement and Well House Improvements	163,590	Miller Engineers, Inc.
Development of Landfill Cell 4B Engineering	126,175	Miller Engineers, Inc.
Engineering/R-O-W Services for Camino del Medio	72,795	Miller Engineers Inc.
Cordoba and Destino Lane Water Line Replacement - Engineering	64,992	Smith Engineering Company
La Lomita Road and Valverde Street Sewer Line Conceptual Design	47,089	Smith Engineering Company
	<u>\$ 3,005,024</u>	

NOTE 16. Prior Period Adjustments and Reclassification

Landfill closure and post-closure liability restatement:

The Town has a prior period adjustment for Business-type Activities of (\$1,303,565) which was required for adjusting the estimated landfill liability in accordance with GASB Statement No. 18. The prior methodology did not include the portion of used capacity as a variable of the computation of the estimated landfill liability at year end.

The Town also reclassified a fund from the prior year that should have been presented within the Taos Regional Landfill proprietary fund in the amount of \$4,525. In prior years, this fund was included as part of the Water and Sewer proprietary fund.

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2019, 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, 2019 which is the date on which the financial statements were issued. No issues were noted for disclosure at December 5, 2019.

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, 2019

NOTE 19. Restricted Net Position

The government-wide statement of net position reports \$7,856,187 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, debt service, and capital projects funds see pages 102-105.

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 \$367,600 and \$182,555, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,759 and \$3,652,884, 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 \$838,000 and \$454,383, respectively. Principal and interest paid for the current year and total customer net revenues were \$78,279 and \$3,652,884, 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 \$329,000 and \$193,282 respectively. Principal and interest paid for the current year and total customer net revenues were \$26,625 and \$3,652,884, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 20. Utility Revenues Pledged (continued)

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 on the loan is \$66,718 with no interest due. Principal for the current year and total customer net revenues were \$6,580 and \$3,652,884, 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 \$307,931 with no interest due. Principal for the current year and total customer net revenues were \$30,370 and \$3,652,884, 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 January 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 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 \$840,000 with no interest due. Principal for the current year and total customer net revenues were \$60,000 and \$3,652,884, 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 \$129,459 with no interest due. Principal for the current year and total customer net revenues were \$9,761 and \$3,652,884, respectively.

STATE OF NEW MEXICO
Town of Taos
Notes to the Financial Statements
June 30, 2019

NOTE 20. Utility Revenues Pledged (continued)

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 \$918,814 and \$58,080, respectively. Principal for the current year and total customer net revenues were \$170,946 and \$1,247,717, respectively. Interest for the current year was 20,162.

NOTE 21. Subsequent Accounting Pronouncements

In June 2017, GASB Statement No. 87 *Leases*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The Town is still evaluating the significance of the impact from this pronouncement on its financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The standard will be implemented during the fiscal year ended June 30, 2021. The Town is still evaluating how this pronouncement will affect the financial statements.

In August 2019, GASB Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. The Town does not expect this pronouncement to have a material effect on the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Town does not expect this pronouncement to have a material effect on the financial statements.

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*

	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)	2018 Measurement Date (As of and for the year ended <u>June 30, 2017</u>)
Town of Taos's proportion of the net pension liability	0.3528%	0.4630%
Town of Taos's proportionate share of the net pension liability	\$ 5,624,937	\$ 6,362,011
Town of Taos's covered payroll	\$ 3,793,609	\$ 3,909,077
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	148.27%	162.75%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017 Measurement Date (As of and for the year ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the year ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
0.4710%	0.5054%	0.5476%
\$ 7,524,994	\$ 5,152,991	\$ 4,271,868
\$ 4,069,174	\$ 4,513,593	\$ 4,457,324
184.93%	114.17%	95.84%
69.18%	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*

	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)	2018 Measurement Date (As of and for the year ended <u>June 30, 2017</u>)
Town of Taos's proportion of the net pension liability	0.5100%	0.4874%
Town of Taos's proportionate share of the net pension liability	\$ 3,479,752	\$ 2,707,827
Town of Taos's covered payroll	\$ 1,020,869	\$ 911,949
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	340.86%	296.93%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017 Measurement Date (As of and for the year ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the year ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
0.4766%	0.4844%	0.4887%
\$ 3,516,497	\$ 2,329,267	\$ 1,593,109
\$ 953,345	\$ 949,833	\$ 937,534
368.86%	245.23%	169.93%
69.18%	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*

	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)	2018 Measurement Date (As of and for the year ended <u>June 30, 2017</u>)
Town of Taos's proportion of the net pension liability	0.2497%	0.2753%
Town of Taos's proportionate share of the net pension liability	\$ 1,598,237	\$ 1,575,114
Town of Taos's covered payroll	\$ 317,344	\$ 321,046
Town of Taos's proportionate share of the net pension liability as a percentage of its covered payroll	503.63%	490.62%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%

* 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.

2017 Measurement Date (As of and for the year ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the year ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
0.2784%	0.2769%	0.2567%
\$ 1,857,210	\$ 1,429,131	\$ 1,071,464
\$ 336,796	\$ 315,617	\$ 285,100
551.43%	452.81%	375.82%
69.18%	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*

	As of and for the year ended <u>June 30, 2019</u>	As of and for the year ended <u>June 30, 2018</u>
Contractually required contribution	\$ 344,405	\$ 362,290
Contributions in relation to the contractually required contribution	<u>(344,405)</u>	<u>(362,290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 3,606,337	\$ 3,793,609
Contributions as a percentage of covered payroll	9.55%	9.55%

* 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.

As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 373,065	\$ 386,572	\$ 428,791
<u>(373,065)</u>	<u>(386,572)</u>	<u>(428,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,909,077	\$ 4,069,174	\$ 4,513,593
9.54%	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*

	As of and for the year ended <u>June 30, 2019</u>	As of and for the year ended <u>June 30, 2018</u>
Contractually required contribution	\$ 211,817	\$ 192,944
Contributions in relation to the contractually required contribution	<u>(211,817)</u>	<u>(192,944)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 1,120,723	\$ 1,020,869
Contributions as a percentage of covered payroll	18.90%	18.90%

* 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.

As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 161,795	\$ 169,123	\$ 168,500
<u>(161,795)</u>	<u>(169,123)</u>	<u>(168,500)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 911,949	\$ 953,345	\$ 949,833
17.74%	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*

	As of and for the year ended <u>June 30, 2019</u>	As of and for the year ended <u>June 30, 2018</u>
Contractually required contribution	\$ 68,470	\$ 68,705
Contributions in relation to the contractually required contribution	<u>(68,470)</u>	<u>(68,705)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 316,260	\$ 317,344
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.

As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 69,503	\$ 72,748	\$ 68,173
<u>(69,503)</u>	<u>(72,748)</u>	<u>(68,173)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 321,046	\$ 336,796	\$ 315,617
21.65%	21.60%	21.60%

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

Page Left Intentionally Blank

STATE OF NEW MEXICO
Town of Taos
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>

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

STATE OF NEW MEXICO

Schedule B-1

Town of Taos
 Schedule of Proportionate Share of the Net OPEB Liability
 Retiree Health Care OPEB Plan
 Last 10 Fiscal Years*

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Town of Taos's proportion of the net OPEB liability (asset)	0.13080%	0.12709%
Town of Taos's proportionate share of the net OPEB liability (asset)	\$ 5,687,649	\$ 5,759,303
Town of Taos's covered payroll	5,250,703	5,294,121
Town of Taos's proportionate share of the net OPEB liability as a percentage of its covered payroll	108.32%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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

	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 109,126	\$ 111,708
Contributions in relation to the contractually required contribution	109,126	111,708
Contribution deficiency (excess)	\$ -	\$ -
Town of Taos's covered payroll	5,111,405	5,250,703
Contribution as a percentage of covered payroll	2.13%	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 Terms

Recent changes in benefits are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

Changes of Assumptions

Changes in actuarial assumptions are described in the financial statement note disclosure covering the Other Post-Employment Benefits (OPEB) – Retiree Health Trust.

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

Page Left Intentionally Blank

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Town of Taos
Nonmajor Fund Descriptions
June 30, 2019

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.

Lodgers' Tax Special Revenue Fund – To account for the operations of tourist facilities or for half of advertising, promoting and publicizing such facilities and tourist attractions. Financing is provided by one and a half percent of a five percent tax on lodging gross receipts within the Town of Taos. State Statute Section 4-6-41 provides for this tax to be imposed by the Town. 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.

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.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Fund Descriptions
June 30, 2019

Special Revenue Funds (continued)

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.

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.

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

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.

1999 Gasoline Tax Acquisition Debt Service Fund – This 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.

Page Left Intentionally Blank

STATE OF NEW MEXICO
Town of Taos
Nonmajor Fund Descriptions
June 30, 2019

Debt Service Funds (continued)

2007 NMFA Land Purchase – This fund was created to be credited with transfers from the General Fund for the purpose of accumulating monies for payment of principal and interest on the debt for repayment of land purchase. Authority is Town Council resolution.

2011 PPRF Street Improvement – This fund was created for the purpose of accumulating monies for the payment of principal and interest on Series PPRF Street Improvement Revenue Bonds. Authority is Town Council resolution.

2011 PPRF Street Improvement Reserve – This fund was created for the purpose of accumulating monies for the payment of principal and interest on Series PPRF Street Improvement Revenue Bonds. Authority is Town Council resolution.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue			
	Fire Protection	Recreation	Lodgers' Tax Special Revenue Fund	Local Governmental Correction
<i>Assets</i>				
Cash and cash equivalents	\$ 464,521	\$ 13,884	\$ 483,247	\$ 53,145
Investments	223,258	-	-	-
Receivables:				
Taxes receivable	-	-	161,954	-
Due from other governments	-	-	21,951	-
Inventory	-	-	38,447	-
<i>Total assets</i>	\$ 687,779	\$ 13,884	\$ 705,599	\$ 53,145
<i>Liabilities</i>				
Accounts payable	\$ 59,012	\$ -	\$ 41,787	\$ 14,325
Accrued payroll expenses	-	-	13,160	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	59,012	-	54,947	14,325
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	38,447	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	628,767	-	-	38,820
Culture and recreation	-	13,884	612,205	-
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>	628,767	13,884	650,652	38,820
<i>Total liabilities and fund balances</i>	\$ 687,779	\$ 13,884	\$ 705,599	\$ 53,145

See independent auditors' report.

Special Revenue

Law Enforcement Protection	Civic Center	Domestic Violence Shelter	Public Transportation	Community Grants	Municipal Road Gasoline Tax
\$ 6,269	\$ 780	\$ -	\$ 713,510	\$ 146,861	\$ -
-	2,000	-	210,000	50,000	-
-	-	-	-	-	15,660
-	-	-	-	37,554	-
-	-	-	-	-	-
<u>\$ 6,269</u>	<u>\$ 2,780</u>	<u>\$ -</u>	<u>\$ 923,510</u>	<u>\$ 234,415</u>	<u>\$ 15,660</u>
\$ 6,269	\$ -	\$ -	\$ -	\$ 112,491	\$ -
-	-	-	-	-	-
-	5,103	-	-	-	-
<u>6,269</u>	<u>5,103</u>	<u>-</u>	<u>-</u>	<u>112,491</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	15,660
-	-	-	-	-	-
-	-	-	-	121,924	-
-	-	-	-	-	-
-	-	-	923,510	-	-
-	-	-	-	-	-
-	(2,323)	-	-	-	-
<u>-</u>	<u>(2,323)</u>	<u>-</u>	<u>923,510</u>	<u>121,924</u>	<u>15,660</u>
<u>\$ 6,269</u>	<u>\$ 2,780</u>	<u>\$ -</u>	<u>\$ 923,510</u>	<u>\$ 234,415</u>	<u>\$ 15,660</u>

See independent auditors' report.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

Special Revenue

	1/4 Cent Municipal Gross Receipts Tax	Historical District	Communications	Confidential Informant
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 39,466	\$ -	\$ 9,828
Investments	-	-	-	-
Receivables:				
Taxes receivable	172,780	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 172,780</u>	<u>\$ 39,466</u>	<u>\$ -</u>	<u>\$ 9,828</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
General government	172,780	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	9,828
Culture and recreation	-	39,466	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>172,780</u>	<u>39,466</u>	<u>-</u>	<u>9,828</u>
<i>Total liabilities and fund balances</i>	<u>\$ 172,780</u>	<u>\$ 39,466</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>Airport Construction Capital Projects Fund</u>	<u>Vehicle Replacement</u>	<u>Special Events Enterprise</u>	
\$ 591,283	\$ 797,527	\$ 451,042	\$ 120,870	\$ 38,432	\$ 71,334	
190,000	-	(969)	-	-	-	
-	-	129,604	-	-	-	
-	-	-	6,766	50,000	-	
-	-	-	-	-	-	
<u>\$ 781,283</u>	<u>\$ 797,527</u>	<u>\$ 579,677</u>	<u>\$ 127,636</u>	<u>\$ 88,432</u>	<u>\$ 71,334</u>	
\$ 7,296	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>7,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	71,334	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
773,987	797,527	579,677	127,636	88,432	-	
-	-	-	-	-	-	
<u>773,987</u>	<u>797,527</u>	<u>579,677</u>	<u>127,636</u>	<u>88,432</u>	<u>71,334</u>	
<u>\$ 781,283</u>	<u>\$ 797,527</u>	<u>\$ 579,677</u>	<u>\$ 127,636</u>	<u>\$ 88,432</u>	<u>\$ 71,334</u>	

See independent auditors' report.

STATE OF NEW MEXICO
Town of Taos
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	<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	\$ 91,605	\$ -	\$ 208	\$ 501
Investments	430,373	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 521,978</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 501</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	521,978	-	-	-
Debt service	-	-	208	501
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>521,978</u>	<u>-</u>	<u>208</u>	<u>501</u>
<i>Total liabilities and fund balances</i>	<u>\$ 521,978</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 501</u>

See independent auditors' report.

Debt Service

NMFA Debt Service Reserve Eco Park	1999 Gasoline Tax Acquisition Debt Service Fund	2007 NMFA Land Purchase	2011 PPRF Street Improvement	2011 PPRF Street Improvement Reserve	Total Nonmajor Governmental Funds
\$ 197,507	\$ 435,966	\$ -	\$ 44,921	\$ 173,122	\$ 4,945,829
-	101,424	-	-	-	1,206,086
-	-	-	-	-	479,998
-	100,223	-	-	-	216,494
-	-	-	-	-	38,447
<u>\$ 197,507</u>	<u>\$ 637,613</u>	<u>\$ -</u>	<u>\$ 44,921</u>	<u>\$ 173,122</u>	<u>\$ 6,886,854</u>
\$ -	\$ 3,785	\$ -	\$ -	\$ -	\$ 244,965
-	-	-	-	-	13,160
-	-	-	-	-	5,103
-	3,785	-	-	-	263,228
-	-	-	-	-	38,447
-	-	-	-	-	172,780
-	-	-	-	-	667,587
-	-	-	-	-	626,089
-	-	-	-	-	15,660
-	-	-	-	-	593,312
197,507	633,828	-	44,921	173,122	1,050,087
-	-	-	-	-	121,924
-	-	-	-	-	9,828
-	-	-	-	-	39,466
-	-	-	-	-	923,510
-	-	-	-	-	2,367,259
-	-	-	-	-	(2,323)
<u>197,507</u>	<u>633,828</u>	<u>-</u>	<u>44,921</u>	<u>173,122</u>	<u>6,623,626</u>
<u>\$ 197,507</u>	<u>\$ 637,613</u>	<u>\$ -</u>	<u>\$ 44,921</u>	<u>\$ 173,122</u>	<u>\$ 6,886,854</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, 2019

Special Revenue

	Fire Protection	Recreation	Lodgers' Tax Special Revenue Fund	Local Governmental Correction
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	1,364,220	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	336,431	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	111,388	59,190
Licenses and fees	-	-	234	21,059
Investment income	1,268	-	-	-
Miscellaneous	-	-	8,033	-
<i>Total revenues</i>	<u>337,699</u>	<u>-</u>	<u>1,483,875</u>	<u>80,249</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	215,152	-	-	77,803
Public works	-	-	-	-
Culture and recreation	-	5,154	823,907	-
Capital outlay	5,068	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>220,220</u>	<u>5,154</u>	<u>823,907</u>	<u>77,803</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>117,479</u>	<u>(5,154)</u>	<u>659,968</u>	<u>2,446</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	939,158	-
Transfers (out)	(75,095)	-	(1,386,025)	-
<i>Total other financing sources (uses)</i>	<u>(75,095)</u>	<u>-</u>	<u>(446,867)</u>	<u>-</u>
<i>Net change in fund balances</i>	42,384	(5,154)	213,101	2,446
<i>Fund balances - beginning of year</i>	<u>586,383</u>	<u>19,038</u>	<u>437,551</u>	<u>36,374</u>
<i>Fund balances - end of year</i>	<u>\$ 628,767</u>	<u>\$ 13,884</u>	<u>\$ 650,652</u>	<u>\$ 38,820</u>

See independent auditors' report.

Special Revenue

Law Enforcement Protection	Civic Center	Domestic Violence Shelter	Public Transportation	Community Grants	Municipal Road Gasoline Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	91,098
-	-	-	-	-	-
-	-	-	-	166,633	-
31,400	-	-	-	162,549	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>31,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,182</u>	<u>91,098</u>
-	-	1	-	357,591	-
31,400	-	-	-	-	-
-	-	-	20,000	-	-
-	-	-	-	28,391	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>31,400</u>	<u>-</u>	<u>1</u>	<u>20,000</u>	<u>385,982</u>	<u>-</u>
-	-	(1)	(20,000)	(56,800)	91,098
-	-	-	604,490	65,308	-
-	-	-	-	-	(90,735)
-	-	-	<u>604,490</u>	<u>65,308</u>	<u>(90,735)</u>
-	-	(1)	584,490	8,508	363
-	(2,323)	1	339,020	113,416	15,297
<u>\$ -</u>	<u>\$ (2,323)</u>	<u>\$ -</u>	<u>\$ 923,510</u>	<u>\$ 121,924</u>	<u>\$ 15,660</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, 2019

Special Revenue

	1/4 Cent Municipal Gross Receipts Tax	Historical District	Communications	Confidential Informant
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ 985,586	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	107,666	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>985,586</u>	<u>107,666</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	21,911	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	94,135	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,911</u>	<u>94,135</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>963,675</u>	<u>13,531</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	(1,075,370)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,075,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(111,695)	13,531	-	-
<i>Fund balances - beginning of year</i>	<u>284,475</u>	<u>25,935</u>	<u>-</u>	<u>9,828</u>
<i>Fund balances - end of year</i>	<u>\$ 172,780</u>	<u>\$ 39,466</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>Airport Construction Capital Projects Fund</u>	<u>Vehicle Replacement</u>	<u>Special Events Enterprise</u>
\$ -	\$ -	\$ 739,184	\$ -	\$ -	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	156,670	50,000	-
-	-	-	243,156	-	-
-	-	-	139,049	-	-
-	-	-	-	-	57,380
-	-	-	-	-	-
-	-	13,082	4	-	-
-	-	-	-	-	-
-	-	<u>752,266</u>	<u>538,879</u>	<u>50,000</u>	<u>57,380</u>
-	-	-	382,970	-	248,321
-	50,001	-	-	-	-
284,263	-	23,517	-	-	-
-	-	-	-	-	-
302,765	21,755	-	242,891	309,415	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>587,028</u>	<u>71,756</u>	<u>23,517</u>	<u>625,861</u>	<u>309,415</u>	<u>248,321</u>
<u>(587,028)</u>	<u>(71,756)</u>	<u>728,749</u>	<u>(86,982)</u>	<u>(259,415)</u>	<u>(190,941)</u>
481,154	548,428	108,000	-	251,000	-
-	-	(748,733)	-	-	-
<u>481,154</u>	<u>548,428</u>	<u>(640,733)</u>	<u>-</u>	<u>251,000</u>	<u>-</u>
(105,874)	476,672	88,016	(86,982)	(8,415)	(190,941)
<u>879,861</u>	<u>320,855</u>	<u>491,661</u>	<u>214,618</u>	<u>96,847</u>	<u>262,275</u>
<u>\$ 773,987</u>	<u>\$ 797,527</u>	<u>\$ 579,677</u>	<u>\$ 127,636</u>	<u>\$ 88,432</u>	<u>\$ 71,334</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, 2019

	<u>Capital Projects</u>		<u>Debt Service Fund</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>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	10,700	-	-	-
Licenses and fees	-	-	-	-
Investment income	10,247	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,947</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	7,739	220	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	72,797	144,488	400,000
Interest	-	2,078	36,267	151,375
<i>Total expenditures</i>	<u>7,739</u>	<u>75,095</u>	<u>180,755</u>	<u>551,375</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>13,208</u>	<u>(75,095)</u>	<u>(180,755)</u>	<u>(551,375)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	75,095	180,753	551,825
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>75,095</u>	<u>180,753</u>	<u>551,825</u>
<i>Net change in fund balances</i>	13,208	-	(2)	450
<i>Fund balances - beginning of year</i>	<u>508,770</u>	<u>-</u>	<u>210</u>	<u>51</u>
<i>Fund balances - end of year</i>	<u>\$ 521,978</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 501</u>

See independent auditors' report.

Debt Service Fund

NMFA Debt Service Reserve Eco Park	1999 Gasoline Tax Acquisition Debt Service Fund	2007 NMFA Land Purchase	2011 PPRF Street Improvement	2011 PPRF Street Improvement Reserve	Total Nonmajor Governmental Funds
	\$ -	\$ -	\$ -	\$ -	\$ 1,724,770
-	-	-	-	-	91,098
-	-	-	-	-	1,364,220
-	-	-	-	-	166,633
-	-	-	-	-	206,670
-	114,830	-	-	-	888,366
-	100,223	-	-	-	239,272
-	-	-	-	-	238,658
-	-	-	-	-	128,959
4,830	2,241	-	1,883	2,751	36,306
-	13,599	-	-	-	21,632
<u>4,830</u>	<u>230,893</u>	<u>-</u>	<u>1,883</u>	<u>2,751</u>	<u>5,106,584</u>
-	-	-	-	-	1,018,753
-	-	-	-	-	374,356
-	-	-	-	-	307,780
-	-	-	-	-	943,196
-	1,076,926	-	-	-	1,987,211
-	-	-	159,967	-	777,252
-	-	-	15,455	-	205,175
<u>-</u>	<u>1,076,926</u>	<u>-</u>	<u>175,422</u>	<u>-</u>	<u>5,613,723</u>
<u>4,830</u>	<u>(846,033)</u>	<u>-</u>	<u>(173,539)</u>	<u>2,751</u>	<u>(507,139)</u>
-	642,531	-	184,666	-	4,632,408
-	-	-	-	-	(3,375,958)
<u>-</u>	<u>642,531</u>	<u>-</u>	<u>184,666</u>	<u>-</u>	<u>1,256,450</u>
4,830	(203,502)	-	11,127	2,751	749,311
<u>192,677</u>	<u>837,330</u>	<u>-</u>	<u>33,794</u>	<u>170,371</u>	<u>5,874,315</u>
<u>\$ 197,507</u>	<u>\$ 633,828</u>	<u>\$ -</u>	<u>\$ 44,921</u>	<u>\$ 173,122</u>	<u>\$ 6,623,626</u>

See independent auditors' report.

Page Left Intentionally Blank

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Town of Taos
Schedule of Deposit and Investment Accounts
June 30, 2019

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
US Bank					
Clearing Account	Checking	\$ 122,285	\$ 160,678	\$ 282,963	\$ -
Judicial Bond Fund Municipal Court	Checking	493	-	-	493
Water & Sewer System Income Fund	Checking	6,701,493	87,111	2,589	6,786,015
<i>Total US Bank</i>		<u>6,824,271</u>	<u>247,789</u>	<u>285,552</u>	<u>6,786,508</u>
Centinel Bank					
General Fund	Checking	7,877,697	44,525	16,501	7,905,721
1994 GRT Revenue Bond Acquisition Fund	Checking	89,008	2,597	-	91,605
HUD Account- Domestic Violence	Checking	-	-	-	-
Water Wastewater Improvements Fund	Checking	231,746	-	57,585	174,161
ACH Transfer Account	Checking	59,111	-	-	59,111
Payroll Clearing	Checking	3	-	-	3
<i>Total Centinel Bank</i>		<u>8,257,565</u>	<u>47,122</u>	<u>74,086</u>	<u>8,230,601</u>
<i>Bank balance of deposits</i>		<u>\$ 15,081,836</u>	<u>\$ 294,911</u>	<u>\$ 359,638</u>	<u>\$ 15,017,109</u>
New Mexico Finance Authority-Investment					
Taos 57 - Debt Service Funds		\$ 12,797	\$ -	\$ -	\$ 12,797
Taos 57 - Debt Service Reserve Funds		184,710	-	-	184,710
Taos 41 - Debt Service Funds		11,315	-	-	11,315
Taos 41- Debt Service Reserve Funds		173,122	-	-	173,122
Taos 48 - Debt Service Funds		1,270	-	-	1,270
Taos 49 - Debt Service Funds		8,526	-	-	8,526
Taos 49 - Debt Service Reserve Funds Funds		140,615	-	-	140,615
<i>Total New Mexico Finance Authority</i>		<u>532,355</u>	<u>-</u>	<u>-</u>	<u>532,355</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>		532,355	-	-	532,355
<i>Total</i>		<u>\$ 15,614,191</u>	<u>\$ 294,911</u>	<u>\$ 359,638</u>	15,549,464
Add: New Mexico State Treasurer Local Government Investment Pool					4,149,964
Add: petty cash					<u>1,850</u>
<i>Total deposits and investments</i>					<u>\$ 19,701,278</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 13,687,598
Investments - Exhibit A-1					4,014,564
Restricted cash and cash equivalents - Exhibit A-1					1,851,425
Restricted investments - Exhibit A-1					75,400
Fiduciary funds cash - Exhibit E-1					12,291
Investments - Exhibit E-1					<u>60,000</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$ 19,701,278</u>

See independent auditors' report.

STATE OF NEW MEXICO
Town of Taos
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2019

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2019</u>
US Bank				
	FHLB	N/A	LOC NO. 527529	\$ 7,000,000
	FHLB	N/A	LOC NO. 528159	1,000,000
<i>Total US Bank</i>				<u>8,000,000</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
	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
	Hobbs SD 2.25%	07/15/21	433866EV8	200,000
	Gallup McKinley 2.00%	07/15/21	364010RJ9	176,684
	Torrance ETC County 2.00%	09/01/23	891400PE7	150,000
	Alamogordo NM Muni 3.00%	08/01/25	11464KQ6	250,000
	FFCB	12/08/21	3133EGT47	1,005,562
	Dona Ana Branch Community	08/01/24	257578EGS	300,000
<i>Total Centinel Bank</i>				<u>4,167,371</u>

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

<i>Total Pledged Collateral</i>	<u>\$ 12,167,371</u>
---------------------------------	----------------------

See independent auditors' report.

STATE OF NEW MEXICO
Town of Taos
Schedule of Changes in Fiduciary Assets and Liabilities
Custodial Fund
For the Year Ended June 30, 2019

Schedule III

Deposits- Streets and Meter

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Assets				
Cash- streets and meters	\$ 13,567	\$ 7,500	\$ 9,500	\$ 11,567
Cash- recreation	430	7,308	7,014	724
Investments- streets and meters	60,000	-	-	60,000
<i>Total assets</i>	<u>\$ 73,997</u>	<u>\$ 14,808</u>	<u>\$ 16,514</u>	<u>\$ 72,291</u>
Liabilities				
Due to other entities	\$ 73,997	\$ 14,808	\$ 16,514	\$ 72,291
<i>Total liabilities</i>	<u>\$ 73,997</u>	<u>\$ 14,808</u>	<u>\$ 16,514</u>	<u>\$ 72,291</u>

See independent auditors' report.

Page Left Intentionally Blank

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

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Town Council
Town of Taos
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 comparison for the General Fund of the Town of Taos (the Town), as of and for the year ended June 30, 2019, 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, 2019.

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*.

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, slightly stylized font.

Cordova CPAs LLC
Albuquerque, NM
December 5, 2019

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 |

STATE OF NEW MEXICO
Town of Taos
Schedule of Findings and Responses
June 30, 2019

Section II – Financial Statement Findings

None noted

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

None noted

Section IV – Prior Year Audit Findings

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

STATE OF NEW MEXICO

Town of Taos
Other Disclosures
June 30, 2019

Exit Conference

An exit conference was held on December 11, 2019. 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
Francisco Espinoza - Public Works Director
Robert Miller - Facilities Services Director

Representing Cordova CPAs LLC:

Robert Gonzales, 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.