

STATE OF NEW MEXICO



ANNUAL FINANCIAL REPORT

JUNE 30, 2008

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Village of Taos Ski Valley
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2008

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STATE OF NEW MEXICO
Village of Taos Ski Valley

OFFICIAL ROSTER
June 30, 2008

Name

Village Council

Title

Neal King

Mayor

Kathy Bennett

Council Member

Barbara Wiard

Council Member

J. Christopher Stagg

Council Member

Thomas Wittman

Council Member

Village Officials

Susan Steele

Village Administrator

Vanessa Chisholm

Village Clerk/Treasurer

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Village Council
Village of Taos Ski Valley
Taos Ski Valley, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the general fund and major special revenue funds of the Village of Taos Ski Valley (the "Village") as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements and budgetary comparison statements of each of the Village's non-major governmental funds and the budgetary comparisons for the major capital projects fund, and the enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Village of Taos Ski Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Village of Taos Ski Valley as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statements for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Village of Taos Ski Valley as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison statements for each non-major governmental fund, the major capital projects fund, and the enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008 on our consideration of the Village of Taos Ski Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 13-20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Taos Ski Valley's basic financial statements, the combining and individual fund financial statements, and the budgetary comparison statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Taos Ski Valley. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and the other opinion units described above, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Precision Accounting, LLC

Albuquerque, New Mexico

September 12, 2008

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STATE OF NEW MEXICO
Village of Taos Ski Valley
Management's Discussion and Analysis
for the Year Ended June 30, 2008
Unaudited

As management of Village of Taos Ski Valley, we offer readers of Village of Taos Ski Valley financial statements this narrative overview and analysis of the financial activities of Village of Taos Ski Valley for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of Village of Taos Ski Valley and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets \$6,641,103 of Village of Taos Ski Valley exceeded its liabilities of \$2,975,914 at the close of the most recent fiscal year by \$3,665,189 (*net assets*). Of this amount, \$1,975,090 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$170,457 during the fiscal year. The majority of this increase is due a increase in net assets for governmental activities.
- As of June30, 2008, the Village's governmental funds reported combined ending fund balances of \$1,279,358 of this total; \$45,271 is restricted for capital projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Village of Taos Ski Valley's basic financial statements. Village of Taos Ski Valley'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 Village of Taos Ski Valley's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Village of Taos Ski Valley's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Village of Taos Ski Valley is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of Village of Taos Ski Valley that are principally supported by taxes and intergovernmental revenues (*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 Village of Taos Ski Valley include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Village include Sewer.

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

STATE OF NEW MEXICO
Village of Taos Ski Valley
Management's Discussion and Analysis
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Unaudited

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. Village of Taos Ski Valley, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Village of Taos Ski Valley 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 *near-term 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 Village'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*.

Village of Taos Ski Valley maintains eight individual governmental funds organized according to their type. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Lodger's Tax Fund, Infrastructure Fund, Law Enforcement Fund, Fire Capital Fund, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Village of Taos Ski Valley adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Lodger's Tax Fund, Infrastructure Fund, Law Enforcement Fund, Fire Capital Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through D-3 of this report.

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

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 49-64 of this report.

Combining statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 71-83 of this report.

STATE OF NEW MEXICO
Village of Taos Ski Valley
Management's Discussion and Analysis
for the Year Ended June 30, 2008
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the Village has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements –and Management's Discussion and Analysis (MD&A) -for State and Local Governments*.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Taos Ski Valley, assets exceeded liabilities by \$3,665,189 at the close of the current fiscal year.

The largest portion of Village of Taos Ski Valley's net assets represents the Village's investment of \$ 1,480,540 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment); less any related outstanding debt used to acquire those assets. Village of Taos Ski Valley uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Village of Taos Ski Valley's 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.

| Village of Taos Ski Valley's Net Assets | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | June 30, 2008 | | | June 30, 2007 | | |
| | Governmental | Business-Type | Total | Governmental | Business-Type | Total |
| Assets | | | | | | |
| Current and other assets | 1,980,894 | 722,600 | 2,703,494 | 1,089,901 | 815,975 | 1,905,876 |
| Capital assets, net of accumulated depreciation | 1,111,902 | 2,825,707 | 3,937,609 | 1,012,816 | 3,067,801 | 4,080,617 |
| Total Assets | 3,092,796 | 3,548,307 | 6,641,103 | 2,102,717 | 3,883,776 | 5,986,493 |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 812,467 | 1,525,827 | 2,338,294 | 62,616 | 2,109,217 | 2,171,833 |
| Other Liabilities | 146,365 | 491,255 | 637,620 | 87,049 | 172,697 | 259,746 |
| Total Liabilities | 958,832 | 2,017,082 | 2,975,914 | 149,665 | 2,281,151 | 2,431,579 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 235,491 | 1,245,049 | 1,480,540 | 882,178 | 2,281,151 | 2,419,009 |
| Restricted | 209,559 | | 209,559 | 225,989 | - | 225,989 |
| Unrestricted | 1,688,914 | 286,176 | 1,975,090 | 844,885 | 65,031 | 909,916 |
| Total Net Assets | 2,133,964 | 1,531,225 | 3,665,189 | 1,953,052 | 1,601,862 | 3,554,914 |
| Total Liabilities and Net Assets | 3,092,796 | 3,548,307 | 6,641,103 | 2,102,717 | 3,883,776 | 5,986,493 |

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A portion of Village of Taos Ski Valley's net assets represents resources that are subject to restrictions. The restrictions relate to capital projects and debt service,

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

The Village of Taos Ski Valley's net assets increased by \$170,457 during the current fiscal year. This increase is explained in the government and business-type activities discussion below, and is primarily a result of increased revenues during the fiscal year.

Changes in Net Assets
For the Year Ended June 30, 2008

| Analysis of Changes in Net Assets | Governmental Activities | Business-Type Activities | Total |
|---|-------------------------|--------------------------|-----------|
| Revenue | | | |
| Program revenue | | | |
| Charges for Service | 143,582 | 898,670 | 1,042,252 |
| Operating grants and contributions | 152,483 | | 152,483 |
| Capital Grants and Contributions | 59,483 | | 59,483 |
| General Revenue | | | |
| Property Tax | 124,823 | | 124,823 |
| Franchise Tax | - | | - |
| Gross Receipts Tax | 852,734 | | 852,734 |
| Motor Vehicle and Fuel Tax | 319,672 | | 319,672 |
| Misc Revenues | 153,358 | 120,315 | 153,358 |
| Total Revenue | 1,806,085 | 1,018,985 | 2,825,070 |
| Expenses | | | |
| General Government | 889,380 | - | 889,380 |
| Public Safety | 288,477 | - | 288,477 |
| Culture and Recreation | 274,433 | - | 274,433 |
| Health and Welfare | 92,926 | - | 92,926 |
| Public Works | 156,347 | - | 156,347 |
| Interest on Long-term debt | 24,777 | - | 24,777 |
| Joint Utilities | | 928,272 | 928,272 |
| Total Expenses | 1,726,340 | 928,272 | 2,654,612 |
| (Decrease) Increase in Assets before transfer | 79,744 | 90,713 | 170,457 |
| Transfers | 116,850 | (116,850) | - |
| (Decrease) Increase in Net Assets | 196,594 | (26,137) | 170,457 |
| Net Assets, Beginning of Year, restated | 1,937,370 | 1,557,362 | 3,494,732 |
| Ending Net Assets | 2,133,964 | 1,531,225 | 3,665,189 |

Governmental activities: Governmental activities increased Village of Taos Ski Valley's net assets by \$ 196,594. The key element of this increase was revenues.

Business-type activities: Business-type activities decreased the Village's net assets by \$(26,137). The key element of this decrease was operating expenses increasing by 2.5% while revenues, (charges for services), decreased by 18% in the joint utility operations.

STATE OF NEW MEXICO
Village of Taos Ski Valley
Management's Discussion and Analysis
for the Year Ended June 30, 2008
Unaudited

Changes in Net Assets
For the Year Ended June 30, 2007

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| Revenue | | | |
| Program revenue | | | |
| Charges for Service | 102,561 | 1,085,804 | 2,681,463 |
| Operating grants and contributions | 143,005 | | 143,005 |
| Capital Grants and Contributions | 55,895 | | 55,895 |
| General Revenue | | | |
| Property Tax | 106,805 | | 106,805 |
| Sales Tax | 773,329 | | 773,329 |
| State Shared | 280,875 | | 280,875 |
| Investment Earnings | 30,873 | 14,523 | 45,396 |
| Misc revenues | (245) | | (245) |
| Total Revenue | 1,493,098 | 1,100,327 | 2,593,425 |
| Expenses | | | |
| General government | 755,885 | | 755,885 |
| Public Safety | 311,686 | | 311,686 |
| Public works | 197,761 | | 197,761 |
| Culture & recreation | 244,868 | | 244,868 |
| Health & welfare | 40,829 | | 40,829 |
| Interest on Long-term debt | 3,146 | | 3,146 |
| Joint Utilities | | 905,480 | 905,480 |
| Total Expenses | 1,554,175 | 905,480 | 2,459,655 |
| (Decrease) Increase in Assets before transfer | (61,077) | 194,847 | 133,770 |
| Transfers | 182,719 | (182,719) | - |
| (Decrease) Increase in Net Assets | 121,642 | 12,128 | 133,770 |
| Net Assets, Beginning of Year (restated) | 1,831,410 | 1,589,788 | 3,421,198 |
| Ending Net Assets | 1,953,052 | 1,601,916 | 3,554,698 |

STATE OF NEW MEXICO
Village of Taos Ski Valley
Management's Discussion and Analysis
for the Year Ended June 30, 2008
Unaudited

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

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

As of the end of the current fiscal year, Village of Taos Ski Valley's governmental funds reported combined ending fund balances of \$1,078,904, a increase of \$69,696 in comparison with the prior year. This entire amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Revenues for governmental activities overall totaled \$1,803,243 in the fiscal year ended June 30, 2008, which represents an increase of \$310,145 from the fiscal year ended June 30, 2007. Expenditures for governmental activities, totaling \$1,850,396, increased by \$296,221 from the fiscal year ended June 30, 2007. In the fiscal year ended June 30, 2008, expenditures exceeded revenues by \$47,153.

The General Fund is the chief operating fund of Village of Taos Ski Valley. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$725,574, while total fund balance was \$725,574.

The fund balance of Village of Taos Ski Valley's general fund increased by \$31,434 during the current fiscal year, due to revenues and operating transfers in excess of expenditures. Overall, the general fund's performance resulted in expenditures over revenues in the fiscal year ended June 30, 2008 due to an increase in general revenue.

Lodgers' Tax Fund. The Lodgers' Tax Fund has a fund balance \$187,140. The net increase in fund balance for the current year was \$33,320. The net increase in fund balance is due primarily to a increase in revenues over expenditures.

Infrastructure. The Infrastructure Fund has a fund balance of \$45,271. The net decrease in fund balance for the year was \$(28,303). The decrease was primarily due to increased expenditures.

Law Enforcement Fund. The Law Enforcement Fund has fund balance of \$13,717. The net increase in fund balance of \$21,109 is primarily due to transfers in from other funds.

Fire Capital Fund. The Fire Capital Fund has fund balance of \$84,759. The net increase in fund balance of \$22,879 is primarily due to increase in revenues and a slight increase in expenditures..

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

At the end of the fiscal year, the unrestricted net assets for Joint Utility was \$286,176. The total decrease in net assets for the proprietary funds was \$(26,137). Factors concerning the finances of this fund have been addressed previously in the discussion of the Village's business-type activities.

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Village of Taos Ski Valley
Management's Discussion and Analysis
for the Year Ended June 30, 2008
Unaudited

General Fund Budgetary Highlights

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

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

General Fund Expenditure Budget Performance

| Final Budget | Actual non-GAAP Cash Basis | Favorable/(Unfavorable) Variance |
|--------------|-------------------------------|-------------------------------------|
| \$ 1,748,344 | \$ 903,614 | \$ 844,730 |

During the budgeting process, the Village budgeted all expenditures under the general government line item. Throughout the year when expenditures were anticipated in other functions, the Village prepared Bars to increase the budget for the general fund for those functions.

The Capital Project Funds (non-major) are not included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BAR's).

Capital Asset and Debt Administration

Capital assets. Village of Taos Ski Valley's capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$3,937,609 (net of accumulated depreciation). Capital assets include land, infrastructure, buildings, and machinery & equipment and vehicles. The total increase in the Village's capital assets (excluding accumulated depreciation) for the current fiscal year was \$196,104 for governmental activities due primarily to increases in infrastructure and equipment. There was no increase (excluding accumulated depreciation) in business-type capital assets during the current fiscal year.

| | Capital Assets, June 30, 2008 | | |
|---|----------------------------------|-----------------------------|--------------|
| | Governmental Total Activities | Business-like Activities | |
| Infrastructure | \$ 505,597 | \$ 108,378 | 613,975 |
| Land | 130,000 | - | 130,000 |
| Construction in Progress | - | - | - |
| Buildings and improvements | 194,502 | 228,375 | 422,877 |
| Vehicles | - | 129,582 | 129,582 |
| Easements | - | 33,196 | 33,196 |
| Water and Sanitation Plant Equipment | - | 4,236,904 | 4,236,904 |
| | 972,865 | 1,018,992 | 1,991,857 |
| Total capital assets | 1,802,964 | 5,755,427 | 7,558,391 |
| Accumulated depreciation | 691,062 | 2,929,720 | 3,620,782 |
| Capital assets, net of accumulated depreciation | \$ 1,111,902 | \$ 2,825,707 | \$ 3,937,609 |

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 Unaudited

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

Debt Administration- At the end of the current fiscal year, Village of Taos Ski Valley had total long-term obligations outstanding of \$2,457,069. Of this amount, \$1,580,658 is revenue bonds with the gross revenue from utility operations pledged to pay the payments.

Village of Taos Ski Valley's Outstanding Debt
 As of June 30, 2008

| | Governmental Activities | Business-like Activities | Total |
|-----------------------------|----------------------------|-----------------------------|--------------|
| Revenue Bonds | \$ - | \$ 1,580,658 | \$ 1,580,658 |
| NMFA notes | 876,411 | - | 876,411 |
| Total long-term liabilities | 876,411 | 1,580,658 | 2,457,069 |

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

Economic Factors and Next Year's Budgets and Rates

There are no currently known facts, decisions, or conditions that are expected to have a significant effect or impact on the Village's financial position or results of operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Village of Taos Ski Valley's 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:

Village of Taos Ski Valley Administration, Village of Taos Ski Valley ,7 Firehouse Rd, Taos Ski Valley, New Mexico, 87525.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit A-1

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,089,147 | \$ 441,467 | \$ 1,530,614 |
| Taxes receivable | 3,604 | 5,331 | 8,935 |
| Accounts receivable | 22,785 | 206,785 | 229,570 |
| Deferred charge | 865,358 | | 865,358 |
| Inventory | - | 69,017 | 69,017 |
| | 1,980,894 | 722,600 | 2,703,494 |
| Total Current Assets | | | |
| Noncurrent Assets | | | |
| Capital assets | 1,802,964 | 5,755,427 | 7,558,391 |
| Less: accumulated depreciation | (691,062) | (2,929,720) | (3,620,782) |
| | 1,111,902 | 2,825,707 | 3,937,609 |
| Total Noncurrent Assets | | | |
| Total Assets | \$ 3,092,796 | \$ 3,548,307 | \$ 6,641,103 |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit A-1

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 30,533 | \$ 389,219 | \$ 419,752 |
| Accrued salaries and benefits | 3,228 | 77 | 3,305 |
| Accrued interest | 5,605 | 27,662 | 33,267 |
| Accrued compensated absences | 15,178 | 5,301 | 20,479 |
| Deferred revenue | - | 5,331 | 5,331 |
| Deposits payable | - | - | - |
| Internal balances | (733) | 733 | - |
| Current portion of loans/bonds payable | 92,554 | 62,932 | 155,486 |
| Total Current Liabilities | 146,365 | 491,255 | 637,620 |
| Noncurrent Liabilities | | | |
| Connection charges Payable | - | - | - |
| Accrued Compensated Absences | 28,610 | 8,101 | 36,711 |
| Loans/bonds payable | 783,857 | 1,517,726 | 2,301,583 |
| Total Noncurrent Liabilities | 812,467 | 1,525,827 | 2,338,294 |
| Total Liabilities | 958,832 | 2,017,082 | 2,975,914 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 235,491 | 1,245,049 | 1,480,540 |
| Restricted for: | | | |
| Capital projects | 209,559 | - | 209,559 |
| Unrestricted | 1,688,914 | 286,176 | 1,975,090 |
| Total Net Assets | 2,133,964 | 1,531,225 | 3,665,189 |
| Total Net Assets and Liabilities | \$ 3,092,796 | \$ 3,548,307 | \$ 6,641,103 |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2008

Exhibit A-2

| Functions/Programs | Program Revenues | | |
|---------------------------------------|------------------|-------------------------|---------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions |
| Primary Government | | | |
| General government | 889,380 | \$ 93,686 | \$ 36,751 |
| Public safety | 288,477 | 33,462 | 115,732 |
| Public works | 156,347 | 15,746 | - |
| Culture and recreation | 274,433 | 638 | - |
| Health and welfare | 92,926 | - | - |
| Interest on long-term debt | 24,777 | - | - |
| Unallocated Depreciation | - | - | - |
| <i>Total governmental activities</i> | 1,726,340 | 143,532 | 152,483 |
| Business-type Activities: | | | |
| Joint Utilities | 928,272 | 898,670 | - |
| <i>Total business type activities</i> | 928,272 | 898,670 | - |
| <i>Total</i> | \$ 2,654,612 | \$ 1,042,202 | \$ 152,483 |

General Revenues:

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for capital projects
- Franchise taxes
- Gross receipts taxes
- Public service taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Changes in net assets

Net assets, beginning as reported

Prior period adjustment

Net assets, ending

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2008

Exhibit A-2

| <u>Program Revenues</u> | <u>Net Program (Expense) Revenue and Changes in Net Assets</u> | | |
|---|--|---------------------------------|-----------------------|
| | <u>Primary Government</u> | | |
| <u>Capital Grants and Contributions</u> | <u>Government Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
| \$ - | \$ (758,943) | \$ - | \$ (758,943) |
| - | (139,283) | - | (139,283) |
| 59,483 | (81,118) | - | (81,118) |
| - | (273,795) | - | (273,795) |
| - | (92,926) | - | (92,926) |
| - | (24,777) | - | (24,777) |
| - | - | - | - |
| 59,483 | (1,370,842) | - | (1,370,842) |
| - | - | (29,602) | (29,602) |
| - | - | (29,602) | (29,602) |
| <u>\$ 59,483</u> | <u>\$ (1,370,842)</u> | <u>\$ (29,602)</u> | <u>\$ (1,400,444)</u> |
| | 124,823 | - | 124,823 |
| | - | - | - |
| | - | - | - |
| | - | - | - |
| | 852,734 | - | 852,734 |
| | 319,672 | - | 319,672 |
| | 34,857 | 8,545 | 43,402 |
| | 118,500 | 111,770 | 230,270 |
| | 116,850 | (116,850) | - |
| | 1,567,436 | 3,465 | 1,570,901 |
| | 196,594 | (26,137) | 170,457 |
| | 1,937,370 | 1,601,916 | 3,539,286 |
| | | (44,554) | (44,554) |
| | <u>\$ 2,133,964</u> | <u>\$ 1,531,225</u> | <u>\$ 3,665,189</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

| | <u>General Fund</u> | <u>Lodgers' Tax Fund</u> | <u>Infrastructure Fund</u> |
|--|---------------------|--------------------------|----------------------------|
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ 736,933 | \$ 173,119 | \$ 50,275 |
| Investments | - | - | - |
| Accounts and taxes receivable | 3,604 | - | - |
| Other receivables | 8,231 | 14,554 | - |
| Due from other governments | - | - | - |
| Inventory | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total assets</i> | <u>\$ 748,768</u> | <u>\$ 187,673</u> | <u>\$ 50,275</u> |
| <i>Liabilities and fund balances</i> | | | |
| <i>Liabilities</i> | | | |
| Accounts payable | 17,791 | 533 | 4,313 |
| Accrued salaries and benefits | 1,799 | - | 691 |
| Accrued compensated absences | - | - | - |
| Deferred revenue | 3,604 | - | - |
| Due to other governments | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total liabilities</i> | <u>23,194</u> | <u>533</u> | <u>5,004</u> |
| <i>Fund balances</i> | | | |
| Reserved for: | | | |
| Capital projects funds | - | - | 45,271 |
| Special revenue funds | - | - | - |
| Unreserved: | | | |
| Undesignated, reported in: | | | |
| General fund | 725,574 | - | - |
| Special revenue funds | - | 187,140 | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total fund balances</i> | <u>725,574</u> | <u>187,140</u> | <u>45,271</u> |
| | <hr/> | <hr/> | <hr/> |
| <i>Total liabilities and fund balances</i> | <u>\$ 748,768</u> | <u>\$ 187,673</u> | <u>\$ 50,275</u> |

The accompanying notes are an integral part of these financial statements

| Law Enforcement Fund | Fire Capital Fund | Other Governmental Funds | Total |
|-------------------------|-------------------|--------------------------------|---------------------|
| \$ 18,514 | \$ 85,706 | \$ 24,600 | \$ 1,089,147 |
| - | - | - | - |
| - | - | - | 3,604 |
| - | - | - | 22,785 |
| - | - | 733 | 733 |
| - | - | - | - |
| <u>\$ 18,514</u> | <u>\$ 85,706</u> | <u>\$ 25,333</u> | <u>\$ 1,116,269</u> |
| 4,059 | 947 | 2,890 | 30,533 |
| 738 | - | - | 3,228 |
| - | - | - | - |
| - | - | - | 3,604 |
| - | - | - | - |
| <u>4,797</u> | <u>947</u> | <u>2,890</u> | <u>37,365</u> |
| - | - | - | 45,271 |
| 13,717 | - | 22,443 | 36,160 |
| - | - | - | 725,574 |
| - | 84,759 | - | 271,899 |
| <u>13,717</u> | <u>84,759</u> | <u>22,443</u> | <u>1,078,904</u> |
| <u>\$ 18,514</u> | <u>\$ 85,706</u> | <u>\$ 25,333</u> | <u>\$ 1,116,269</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

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

| | | |
|---|----|-------------------------|
| Fund balances - total governmental funds | \$ | 1,078,904 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 1,111,902 |
| Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds: | | |
| Deferred charge | | 865,358 |
| Deferred property taxes | | 3,604 |
| Accrued compensated absences | | (43,788) |
| Accrued interest | | (5,605) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds | | <u>(876,411)</u> |
| Net assets of governmental activities | \$ | <u><u>2,133,964</u></u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ending June 30, 2008

| | <u>General Fund</u> | <u>Lodgers' Tax Fund</u> | <u>Infrastructure Fund</u> |
|--|---------------------|--------------------------|----------------------------|
| <i>Revenues:</i> | | | |
| Taxes | | | |
| Gross receipts taxes | \$ 763,499 | \$ - | \$ 71,388 |
| Property taxes | 128,657 | | |
| Lodgers' Tax | | 302,705 | |
| Gasoline tax | | | 5,004 |
| Intergovernmental Income | 48,830 | - | 59,483 |
| Charges for Services | 35,851 | - | 4,593 |
| Licenses and Fees | 130,481 | - | 14,046 |
| Investment Income (Loss) | 23,249 | 3,809 | 1,282 |
| Miscellaneous | - | - | 6,987 |
| | <u>1,130,567</u> | <u>306,514</u> | <u>162,783</u> |
| <i>Expenditures:</i> | | | |
| <i>Current:</i> | | | |
| General Government | 873,460 | - | - |
| Public Safety | - | - | - |
| Public Works | - | - | 186,981 |
| Culture and Recreation | - | 273,194 | - |
| Health and Welfare | - | - | - |
| Capital Outlay | 2,504 | - | 107,263 |
| <i>Debt Service:</i> | | | |
| Principal | 29,102 | - | - |
| Interest | 18,137 | - | - |
| | <u>923,203</u> | <u>273,194</u> | <u>294,244</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>207,364</u> | <u>33,320</u> | <u>(131,461)</u> |
| <i>Other financing sources (uses)</i> | | | |
| Note proceeds | - | - | - |
| Transfers (Out) | (313,864) | - | - |
| Transfers In | 137,934 | - | 103,158 |
| <i>Total other financing sources (uses)</i> | <u>(175,930)</u> | <u>-</u> | <u>103,158</u> |
| <i>Net change in fund balance</i> | 31,434 | 33,320 | (28,303) |
| <i>Fund balance - beginning of year</i> | <u>694,140</u> | <u>153,820</u> | <u>73,574</u> |
| <i>Fund balance - end of year</i> | <u>\$ 725,574</u> | <u>\$ 187,140</u> | <u>\$ 45,271</u> |

The accompanying notes are an integral part of these financial statements

| Law Enforcement Fund | Fire Capital Fund | Other Governmental Funds | Total |
|-------------------------|-------------------|--------------------------------|---------------------|
| \$ - | \$ - | \$ 17,847 | \$ 852,734 |
| | | | 128,657 |
| | | | 302,705 |
| | | | 5,004 |
| 21,800 | 88,718 | 6,899 | 225,730 |
| 135 | 3,377 | - | 43,956 |
| 381 | 5,337 | 28,184 | 178,429 |
| 847 | 5,272 | 1,116 | 35,575 |
| 203 | 18,032 | 5,231 | 30,453 |
| <u>23,366</u> | <u>120,736</u> | <u>59,277</u> | <u>1,803,243</u> |
| | | | 873,460 |
| - | - | - | 236,943 |
| 172,803 | 64,140 | - | 260,106 |
| - | - | 73,125 | 273,194 |
| - | - | - | 1,239 |
| - | - | 1,239 | 144,288 |
| - | 23,069 | 11,452 | 41,994 |
| - | 12,892 | - | 19,172 |
| - | 1,035 | - | 1,850,396 |
| <u>172,803</u> | <u>101,136</u> | <u>85,816</u> | <u>1,850,396</u> |
| <u>(149,437)</u> | <u>19,600</u> | <u>(26,539)</u> | <u>(47,153)</u> |
| | | | - |
| - | - | - | (313,864) |
| <u>170,546</u> | <u>3,279</u> | <u>15,796</u> | <u>430,713</u> |
| <u>170,546</u> | <u>3,279</u> | <u>15,796</u> | <u>116,849</u> |
| 21,109 | 22,879 | (10,743) | 69,696 |
| <u>(7,392)</u> | <u>61,880</u> | <u>33,186</u> | <u>1,009,208</u> |
| <u>\$ 13,717</u> | <u>\$ 84,759</u> | <u>\$ 22,443</u> | <u>\$ 1,078,904</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2008

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

| | | |
|--|----|--|
| Net change in fund balances - total governmental funds | \$ | 69,696 |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | | |
| | | - |
| Capital expenditures | | 196,104 |
| Depreciation expense | | (97,018) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds: | | |
| Difference in property taxes revenue recognized | | (3,834) |
| 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities: | | |
| Difference in accrued interest | | (5,605) |
| Principal payments on notes payable | | 41,994 |
| Increase in accrued compensated absences | | (4,743) |
| | | <hr style="border-top: 1px solid black;"/> |
| Change in net assets of governmental activities | \$ | <u><u>196,594</u></u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ 806,560 | \$ 806,560 | \$ 883,575 | \$ 77,015 |
| Intergovernmental Income | 24,065 | 24,065 | 48,830 | 24,765 |
| Charges For Services | 581,912 | 581,912 | 35,851 | (546,061) |
| Licenses and Fees | 35,080 | 35,080 | 130,831 | 95,751 |
| Interest Income | 15,450 | 15,450 | 23,249 | 7,799 |
| Investment Income(Loss) | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>1,463,067</u> | <u>1,463,067</u> | <u>1,122,336</u> | <u>(340,731)</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | 904,331 | 996,781 | 853,871 | 142,910 |
| Public Safety | - | - | - | - |
| Public Works | - | 15,000 | - | 15,000 |
| Culture and Recreation | - | 7,422 | - | 7,422 |
| Health and Welfare | - | 69,141 | - | 69,141 |
| Capital Outlay | 660,000 | 660,000 | 2,504 | 657,496 |
| Debt Service: | | | | |
| Principal | - | - | 29,102 | (29,102) |
| Interest | - | - | 18,137 | (18,137) |
| <i>Total expenditures</i> | <u>1,564,331</u> | <u>1,748,344</u> | <u>903,614</u> | <u>844,730</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(101,264)</u> | <u>(285,277)</u> | <u>218,722</u> | <u>503,999</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 101,264 | 285,277 | - | (285,277) |
| Transfers In | (339,502) | (405,882) | (313,864) | 92,018 |
| Transfers Out | (203,385) | 203,517 | 137,935 | (65,582) |
| <i>Total other financing sources (uses)</i> | <u>(441,623)</u> | <u>82,912</u> | <u>(175,929)</u> | <u>(258,841)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>(542,887)</u> | <u>(202,365)</u> | <u>42,793</u> | <u>245,158</u> |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>739,580</u> | <u>739,580</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ (542,887)</u> | <u>\$ (202,365)</u> | <u>\$ 782,373</u> | <u>\$ 984,738</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | (17,076) | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | 5,717 | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ 31,434</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
LODGERS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-----------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ 270,000 | \$ 270,000 | \$ 290,874 | \$ 20,874 |
| Intergovernmental Income | - | - | - | - |
| Charges For Services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | 800 | 800 | 3,809 | 3,009 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>270,800</u> | <u>270,800</u> | <u>294,683</u> | <u>23,883</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Culture and Recreation | 303,000 | 318,000 | 272,661 | 45,339 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>303,000</u> | <u>318,000</u> | <u>272,661</u> | <u>45,339</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(32,200)</u> | <u>(47,200)</u> | <u>22,022</u> | <u>69,222</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 32,200 | 47,200 | - | (47,200) |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>32,200</u> | <u>47,200</u> | <u>-</u> | <u>(47,200)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | 22,022 | 22,022 |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>155,769</u> | <u>155,769</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 177,791</u> | <u>\$ 177,791</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 11,831 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | <u>4,139</u> | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ 37,992</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|---------------------|-------------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | 21,200 | 21,800 | 21,800 | - |
| Charges For Services | - | - | 135 | 135 |
| Licenses and Fees | 445 | 445 | 381 | (64) |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | 50 | 50 | 847 | 797 |
| Miscellaneous | 50 | 50 | 203 | 153 |
| <i>Total revenues</i> | <u>21,745</u> | <u>22,345</u> | <u>23,366</u> | <u>1,021</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | 180,747 | 205,004 | 168,006 | 36,998 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | 15,000 | - | 15,000 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>180,747</u> | <u>220,004</u> | <u>168,006</u> | <u>51,998</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(159,002)</u> | <u>(197,659)</u> | <u>(144,640)</u> | <u>53,019</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 159,002 | 197,659 | - | (197,659) |
| Transfers In | - | - | - | - |
| Transfers Out | (163,002) | 180,702 | 170,546 | (10,156) |
| <i>Total other financing sources (uses)</i> | <u>(4,000)</u> | <u>378,361</u> | <u>170,546</u> | <u>(207,815)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>(163,002)</u> | <u>180,702</u> | <u>25,906</u> | <u>(154,796)</u> |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>1,002</u> | <u>1,002</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ (163,002)</u> | <u>\$ 180,702</u> | <u>\$ 26,908</u> | <u>\$ (153,794)</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 3,597 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | - | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ 29,503</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
FIRE CAPITAL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|-------------------|-----------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | 84,361 | 84,361 | 88,718 | 4,357 |
| Charges For Services | 6,750 | 6,750 | 3,377 | (3,373) |
| Licenses and Fees | 15,850 | 15,850 | 5,337 | (10,513) |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | 1,050 | 1,050 | 5,272 | 4,222 |
| Miscellaneous | 1,500 | 1,500 | 18,032 | 16,532 |
| <i>Total revenues</i> | <u>109,511</u> | <u>109,511</u> | <u>120,736</u> | <u>11,225</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | 94,696 | 96,696 | 77,120 | 19,576 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | 15,000 | - | 15,000 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | 29,000 | 29,000 | 23,069 | 5,931 |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>123,696</u> | <u>140,696</u> | <u>100,189</u> | <u>40,507</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(14,185)</u> | <u>(31,185)</u> | <u>20,547</u> | <u>51,732</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 14,185 | 31,185 | - | (31,185) |
| Transfers In | (4,250) | - | - | - |
| Transfers Out | (4,134) | 4,291 | 3,279 | (1,012) |
| <i>Total other financing sources (uses)</i> | <u>5,801</u> | <u>35,476</u> | <u>3,279</u> | <u>(32,197)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>(8,384)</u> | <u>4,291</u> | <u>23,826</u> | <u>19,535</u> |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>65,772</u> | <u>65,772</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ (8,384)</u> | <u>\$ 4,291</u> | <u>\$ 89,598</u> | <u>\$ 85,307</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 2,945 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | <u>-</u> | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ 26,771</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

| | |
|---|----------------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 441,467 |
| Accounts receivable, net of allowance | 206,785 |
| Taxes receivable | 5,331 |
| Inventory | <u>69,017</u> |
| Total Current Assets | <u>722,600</u> |
| Noncurrent Assets | |
| Capital assets | 5,755,427 |
| Less: accumulated depreciation | <u>(2,929,720)</u> |
| Total Noncurrent Assets | <u>2,825,707</u> |
| Total Assets | <u><u>\$ 3,548,307</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | \$ 7,179 |
| Accrued salaries and benefits | 77 |
| Accrued compensated absences | 5,301 |
| Accrued interest | 27,662 |
| Deferred revenue | 5,331 |
| Current portion loans/bonds payable | 62,932 |
| Due to other funds | <u>733</u> |
| Total Current Liabilities | <u>109,215</u> |
| Noncurrent Liabilities | |
| Connection charges Payable | 382,040 |
| Accrued Compensated Absences | 8,101 |
| Loans/bonds payable | <u>1,517,726</u> |
| Total Noncurrent Liabilities | <u>1,907,867</u> |
| Total Liabilities | <u>2,017,082</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 1,245,049 |
| Restricted for: | |
| Capital projects | - |
| Unrestricted | <u>286,176</u> |
| Total Net Assets | <u>1,531,225</u> |
| Total Net Assets and Liabilities | <u><u>\$ 3,548,307</u></u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | |
|---|---------------------|
| <i>Operating revenues:</i> | |
| Charges for services | \$ 1,010,440 |
| | <u>1,010,440</u> |
| <i>Total operating revenues</i> | <u>1,010,440</u> |
| <i>Operating expenses:</i> | |
| Operating Expenses | 313,485 |
| Travel | 4,662 |
| Depreciation | 242,094 |
| Purchases for Resale | - |
| Contract Services | 88,914 |
| Salaries | 127,429 |
| Supplies | 95,295 |
| | <u>871,879</u> |
| <i>Total operating expenses</i> | <u>871,879</u> |
| <i>Operating income (loss)</i> | <u>138,561</u> |
| <i>Non-operating revenues (expenses):</i> | |
| Interest Income | 8,545 |
| Interest expense | (56,393) |
| | <u>(47,848)</u> |
| <i>Total non-operating revenues (expenses)</i> | <u>(47,848)</u> |
| <i>Income (loss) before transfers</i> | 90,713 |
| Transfers | (116,850) |
| | <u>(26,137)</u> |
| <i>Change in net assets</i> | <u>(26,137)</u> |
| <i>Net assets, beginning of year, as reported</i> | 1,601,916 |
| <i>Restatement, Note 19</i> | (44,554) |
| <i>Net assets, beginning of year, as restated</i> | <u>1,557,362</u> |
| <i>Net assets, end of year</i> | <u>\$ 1,531,225</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
For the Year Ended June 30, 2008

| | <u>Joint Utility Fund</u> |
|--|---------------------------|
| <i>Cash flows from operating activities:</i> | |
| Cash received from user charges | \$ 1,263,277 |
| Cash payments to employees for services | (121,040) |
| Cash payments to suppliers for goods and services | <u>(947,089)</u> |
| <i>Net cash used for operating activities</i> | <u>195,148</u> |
| <i>Cash flows from noncapital financing activities:</i> | |
| Restatement of retained earnings | 44,554 |
| Transfers to other funds | <u>(116,850)</u> |
| <i>Net cash provided from noncapital financing activities:</i> | <u>(72,296)</u> |
| <i>Cash flows from capital and related financing activities:</i> | |
| Acquisition of capital assets | - |
| Proceeds from loan | |
| Principal paid on debt | (62,932) |
| Interest paid on debt | <u>(56,393)</u> |
| <i>Net cash provided from investing activities:</i> | <u>(119,325)</u> |
| <i>Cash flows from investing activities:</i> | |
| Interest on investments | <u>8,545</u> |
| <i>Net cash provided from investing activities:</i> | <u>8,545</u> |
| <i>Net increase in cash and cash equivalents</i> | 12,072 |
| <i>Cash and cash equivalents - beginning of year</i> | <u>429,395</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 441,467</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i> | |
| Operating income (loss) | \$ 138,561 |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities | |
| Depreciation | (242,094) |
| Changes in assets and liabilities | |
| Receivables | 70,628 |
| Inventory | 34,819 |
| Accrued expenses | 3,688 |
| Connection charges | 187,540 |
| Accounts payable | 7,337 |
| Deferred revenue | (5,331) |
| <i>Net cash (used) by operating activities</i> | <u>\$ 195,148</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies

The Village of Taos Ski Valley (Village) was incorporated in 1971, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village 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; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

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

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

This summary of significant accounting policies of the Village is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Village, 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 statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Village has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1.

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

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

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 Village except for items included in other funds.

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

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

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

Under the requirements of GASB No. 34, the Village 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 only the General Fund, Lodgers' Tax Fund, Infrastructure Fund, Law Enforcement Fund, and Fire Capital Fund. No other funds were required to be presented as major at the discretion of management.

General Fund – the Village'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 primarily through property, gross receipts and other miscellaneous taxes.

Lodgers Tax Fund – to account for the operations of a special fund to promote tourist operations in the Village. Financing is provided by a special lodger's tax charged on all transient lodging in the Village. One half of the tax collected must be used to promote the Village. Funding authority is NMSA 1978 Section 3-38-15.

Infrastructure Fund – to account for the operations and maintenance of funds restricted for the repair and replacement of infrastructure improvements. Financing is provided by a ½ of 1% tax on the gross receipts within the Village. The Funds may be used only for the sewer and street repairs and replacements, or for the acquisition of right-of-way. Authority is NMSA 7-20E-19.

Law Enforcement Fund – to account for the operations and maintenance of a special grant for the police department. Financing is provided by a grant from the State. The grant may be used only for the operations of the police department. Authority is Section 29-13-1 NMSA 1978.

Fire Capital Fund – to account for the revenues for the state fire allotment and public safety related expenditures. Authority NMSA 1978 59A-53-1 to 17.

The government reports its proprietary funds as a major business-type fund.

Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Village's fiduciary funds are used to account for the collection and payment of motor vehicle fees to other governmental agencies.

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, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1.

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

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's various 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 Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments: The Village'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 Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. 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: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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.

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

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Village may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Taos County bills, collects, and remits the Village of Taos Ski Valley's share of property taxes.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column 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. Donated capital assets are recorded at estimated fair market value at the date of donation. 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). Library books are expensed as purchased.

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. 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> |
|-----------------------|--------------|
| Buildings | 30 |
| Building Improvements | 30 |
| Infrastructure | 50 |
| Vehicles | 5 |
| Office Equipment | 5 |
| Computer Equipment | 5 |

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

Compensated Absences: Qualified employees are entitled to accumulate compensated absences earned. Employees may not accumulate annual leave and lose any unused vacation pay from calendar year to calendar year. Upon termination, employees will be paid for all days of current year accrued annual leave not yet taken.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year. Upon termination employees receive no pay for sick time accumulated.

The Village permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the Village. Accumulated sick leave benefits vest with each employee in accordance with the Village's policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the governmental-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of services by employees.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 1.

Summary of Significant Accounting Policies (continued)

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

Net Asset or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements fund equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt:

Consists of net assets including restricted 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 these assets.

Restricted:

Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted:

All other net assets that do not meet the definition of “*restricted*” or “*invested in capital assets, net of related debt.*”

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Revenues: The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The village records only the portion of the taxes considered ‘measureable’ and ‘available’ in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Village are prepared prior to June 1 and must be approved by resolution of the Village 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 Village Councilors 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.

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

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2008 is presented as part of the budgetary statements.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Village 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 Village properly followed State investment requirements as of June 30, 2008.

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 Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

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

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

| | Type | <u>Centinel Bank</u> |
|---|----------|--------------------------|
| General | Checking | <u>231,425</u> |
| Total Deposits | | 231,425 |
| Less: FDIC Coverage | | <u>(100,000)</u> |
| Total uninsured public funds | | <u>131,425</u> |
| 50 % Collateral requirement | | 65,713 |
| Pledged Securities | | 255,202 |
| (Over)Under collateralized | | (189,489) |
| Custodial Credit Risk-Deposits | | |
| Account Balance | | \$ 231,425 |
| FDIC Insured | | 100,000 |
| Pledged Collateral: | | |
| Collateral held by the pledging bank, not in the Village's name | | 131,425 |
| Uninsured and uncollateralized | | <u>-</u> |
| Total Deposits | | <u><u>\$ 231,425</u></u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$131,425 of the Village's bank balance of \$231,425 was exposed to custodial credit risk.

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

Reconciliation of Cash and Temporary Investments

Carrying amounts by fund per financial statement at June 30, 2008 is:

| | |
|---|--------------------------|
| Governmental Funds- Balance Sheet | |
| Cash and cash equivalents per Exhibit B-1 | \$ 1,089,147 |
| Cash and cash equivalents per Exhibit D-1 | 441,467 |
| Add outstanding checks and other reconciling items | 23,130 |
| Less amount held in NMFA cash reserves | (534) |
| Less Petty Cash | (200) |
| Less State Treasurers LGIP reflected in investments | <u>(1,321,585)</u> |
| | <u><u>\$ 231,425</u></u> |

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

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that in the event of counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village does not have an investment policy for custodial credit risk. The Village’s investments are in certificates of deposits and investment in the State Treasurer’s Local Government Investment Pool (LGIP). The LGIP is not subject to custodial credit risk and the custodial credit risk for the certificates of deposits is contemplated in *custodial risk – cash*.

Interest Rate Risk and Credit Rating- Investment in State Treasurer’s LGIP

The Village does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The Village’s investments at June 30, 2008 include the following:

| | | | |
|----------------------|------|------------|---------------------|
| State Treasurer LGIP | AAAm | 46-day WAM | <u>\$ 1,321,585</u> |
|----------------------|------|------------|---------------------|

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares; 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 amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distributed dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2008. Participation in the Local Government Investment Pool is voluntary.

NM State Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least 102% of the amount on deposit with the institution. There are no repurchase agreements for the year ended June 30, 2008.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The Village utilizes pooled accounts for their funds. The General, Special Revenue, Capital Projects, Proprietary, and Agency Funds are all in multiple accounts.

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NOTE 4.

Receivables

Receivables as of June 30, 2008, are as follows:

| | General Fund | Lodger's Tax Fund | Fire Capital Fund | Other Governmental Funds | Total |
|-----------------------------|------------------|----------------------|-------------------------|--------------------------------|-----------------|
| Property Taxes Receivables | \$ 3,604 | \$ | \$ - | \$ - | \$ 3,604 |
| Due from other governments: | | | | | |
| Other accounts receivable | 8,231 | 14,554 | - | - | 22,785 |
| | <u>\$ 11,835</u> | <u>\$ 14,554</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$26,389</u> |

| | Joint Utility Fund | Total |
|---|--------------------|------------|
| Accounts Receivable, net of allowance for doubtful accounts of \$12,250 | \$ 206,785 | \$ 206,785 |

The above receivables are deemed 94% collectible. In accordance with GASB No.33, property tax receivables are presented net of deferred revenue in the governmental balance sheet. Deferred revenue-property taxes totaled \$3,604 is presented in the general fund and \$5,331 in the proprietary fund.

Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Village Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year. Transfers are a result of the Village transferring money from the general fund and the joint utility fund to cover expenditures in other funds.

Due from other governments

| | Interfund Receivable | Interfund Payable |
|--------------------|-------------------------|----------------------|
| General Fund | \$ 733 | \$ - |
| Joint Utility Fund | - | 733 |
| | <u>\$ 733</u> | <u>\$ 733</u> |

Transfers

| | Transfers In | Transfers Out |
|-----------------------|----------------|----------------|
| General Fund | \$ 137,935 | \$ 313,864 |
| Infrastructure Fund | 103,158 | - |
| Law Enforcement Fund | 170,546 | - |
| Emergency | 15,796 | - |
| Fire Capital Fund | 3,279 | - |
| Joint Utility Fund | 276,923 | 393,773 |
| Total Govt Activities | <u>707,637</u> | <u>707,637</u> |

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
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NOTE 5. Accounts Payables

Accounts payable as of June 30, 2008, are as follows:

| | |
|---|-----------------------------|
| Payable to suppliers | \$ 25,385 |
| Accrued salaries and benefits | <u>3,229</u> |
| Total accounts payable and accrued expenses | <u><u>\$ 28,614</u></u> |

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2008 follows.

| Governmental Activities | <u>June 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2008</u> |
|--|--------------------------------|-----------------------------|-------------------------|--------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 130,000 | \$ - | \$ - | \$ 130,000 |
| Construction in Progress | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital assets not being depreciated | <u>130,000</u> | <u>-</u> | <u>-</u> | <u>130,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings & Improvements | 194,502 | - | - | 194,502 |
| Equipment | 944,865 | 28,000 | - | 972,865 |
| Infrastructure | <u>337,493</u> | <u>168,104</u> | <u>-</u> | <u>505,597</u> |
| Total capital assets being depreciated | <u>1,476,860</u> | <u>196,104</u> | <u>-</u> | <u>1,672,964</u> |
| Total Capital Assets | <u>1,606,860</u> | <u>196,104</u> | <u>-</u> | <u>1,802,964</u> |
| Less accumulated depreciation: | | | | |
| Buildings & Improvements | 46,479 | 4,854 | - | 51,333 |
| Equipment | 532,449 | 82,439 | - | 614,888 |
| Infrastructure | <u>15,116</u> | <u>9,725</u> | <u>-</u> | <u>24,841</u> |
| Total Accumulated Depreciation | <u>594,044</u> | <u>97,018</u> | <u>-</u> | <u>691,062</u> |
| Total capital assets net of depreciation | <u><u>\$ 1,012,816</u></u> | <u><u>\$ 99,086</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,111,902</u></u> |

Capital assets, net of accumulated depreciation, at June 30, 2008 appear in the Statement of Net Assets as follows:

| | |
|-------------------------|--------------|
| Governmental activities | \$ 1,111,902 |
|-------------------------|--------------|

Depreciation expense for the year ended June 30, 2008 was charged to the following functions and funds:

| | |
|---|-------------------------|
| General Government | \$ 13,382 |
| Public Safety | 21,981 |
| Public Works | 21,357 |
| Culture and Recreation | - |
| Health and Welfare | <u>40,298</u> |
| Total depreciation expense governmental funds | <u><u>\$ 97,018</u></u> |

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
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NOTE 6. Capital Assets (continued)

| Business-Like Activities | June 30, 2007 | Additions | Deletions | June 30, 2008 |
|---|----------------------|---------------------|------------------|----------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 108,378 | - | - | \$ 108,378 |
| Easements | 33,196 | - | - | 33,196 |
| Total Capital assets, not being depreciated | <u>141,574</u> | <u>-</u> | <u>-</u> | <u>141,574</u> |
| Water and Sanitation Plant | 4,243,816 | - | 6,912 | 4,236,904 |
| Building & Improvements | 228,375 | - | - | 228,375 |
| Equipment | 1,018,992 | - | - | 1,018,992 |
| Vehicles | 129,582 | - | - | 129,582 |
| Total Capital assets being depreciated | <u>5,620,765</u> | <u>-</u> | <u>6,912</u> | <u>5,613,853</u> |
| Total Capital Assets | <u>5,762,339</u> | <u>-</u> | <u>6,912</u> | <u>5,755,427</u> |
| Water and Sanitation Plant | 1,945,785 | 159,982 | 6,912 | 2,098,855 |
| Building & Improvements | 106,887 | 8,628 | - | 115,515 |
| Equipment | 525,952 | 64,372 | - | 590,324 |
| Vehicles | 115,914 | 9,112 | - | 125,026 |
| Total Accumulated Depreciation | <u>2,694,538</u> | <u>242,094</u> | <u>6,912</u> | <u>2,929,720</u> |
| Total capital assets net of depreciation | <u>\$ 3,067,801</u> | <u>\$ (242,094)</u> | <u>-</u> | <u>\$ 2,825,707</u> |

Depreciation expense relating to business-like activities for the year ended June 30, 2008 totaled \$246,320.

NOTE 7. Long-term Debt

During the year ended June 30, 2008, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

| Governmental Activities | Balance 6/30/2007 | Additions | Retirements | Balance 6/30/2008 | Due Within One Year |
|--------------------------------|------------------------------|-------------------|--------------------|------------------------------|--------------------------------|
| NMFA Fire Truck Loan | \$ 53,047 | \$ - | \$ 12,892 | \$ 40,155 | \$ 13,129 |
| NMFA Multipurpose Building | - | 865,358 | 29,102 | 836,256 | 79,425 |
| Compensated Absences | 39,045 | 36,444 | 31,701 | 43,788 | 15,178 |
| Total Long-Term Debt | <u>\$ 92,092</u> | <u>\$ 901,802</u> | <u>\$ 73,695</u> | <u>\$ 920,199</u> | <u>\$ 107,732</u> |

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|------------------|
| 2009 | 13,129 | 698 | 13,827 |
| 2010 | 13,380 | 480 | 13,860 |
| 2011 | 13,646 | 248 | 13,894 |
| Total | <u>\$ 40,155</u> | <u>\$ 1,426</u> | <u>\$ 41,581</u> |

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NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the loans payable to the NMFA Multipurpose Public safety Building as of June 30, 2008, including interest payments are as follows:

| Fiscal year | Principal | Interest | Total |
|-------------|-------------------|------------------|--------------------|
| 2009 | \$ 79,425 | \$ 32,930 | \$ 112,355 |
| 2010 | 82,426 | 29,935 | 112,361 |
| 2011 | 85,583 | 26,787 | 112,370 |
| 2012 | 88,895 | 23,483 | 112,378 |
| 2013 | 92,362 | 20,025 | 112,387 |
| 2014-2018 | <u>407,565</u> | <u>42,077</u> | <u>449,642</u> |
| Total | <u>\$ 836,256</u> | <u>\$175,237</u> | <u>\$1,011,493</u> |

The unused loan proceeds for the multipurpose public safety building have not been drawn down and the Village of Taos Ski Valley plans on repaying the balance of the debt this year.

The NMFA Fire Truck loan has a variable interest rate dependent on the current market rate with an added administrative fee component.

In prior years, the fire fund has typically liquidated the NMFA fire truck loan and the General Fund has typically liquidated the compensated absences.

Business-type Activities:

| Description | Balance 6/30/2007 | Additions | Retirements | Balance 6/30/2008 | Due Within One Year |
|---------------------------------------|----------------------|-----------------|------------------|----------------------|------------------------|
| Wastewater Facility Construction Loan | \$ 1,641,757 | | \$ 61,099 | \$ 1,580,658 | \$ 62,932 |
| Compensated Absences | 14,430 | 8,441 | 9,469 | 13,402 | 5,301 |
| | <u>\$ 1,656,187</u> | <u>\$ 8,441</u> | <u>\$ 70,568</u> | <u>\$ 1,594,060</u> | <u>\$ 68,233</u> |

The annual requirements to amortize the above long-term debt as of June 30, 2008, including interest payments are as follows:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|---------------------|-------------------|---------------------|
| 2009 | 62,932 | 47,420 | 110,352 |
| 2010 | 64,820 | 45,532 | 110,352 |
| 2011 | 66,765 | 43,587 | 110,352 |
| 2012 | 68,768 | 41,584 | 110,352 |
| 2013 | 70,831 | 39,521 | 110,352 |
| 2014-1018 | 387,331 | 164,428 | 551,759 |
| 2019-2023 | 449,023 | 102,736 | 551,759 |
| 2024-2028 | 410,188 | 31,219 | 441,407 |
| Total | <u>\$ 1,580,658</u> | <u>\$ 516,027</u> | <u>\$ 2,096,685</u> |

Operating Leases

The Village has entered into two short term leases of which the annual requirements are disclosed as follows:

| <u>Year Ended</u> | <u>Total</u> |
|-------------------|------------------|
| 2008 | \$ 4,500 |
| 2009 | 4,500 |
| 2010 | 2,820 |
| 2011 | <u>5,400</u> |
| Total | <u>\$ 17,220</u> |

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NOTE 8. Risk Management

The Village 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 Village of Taos Ski Valley participates in the New Mexico Self-Insurer's Fund risk pool. The Village pays an annual premium to the pool based on claim experience and the status of the pool. The Village is not liable for more than the premium paid.

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

At June 30, 2008, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Village of Taos Ski Valley.

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

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
There were no deficit fund balances.

NOTE 10. Pension Plans

The Village adopted a money purchase pension plan effective January 1, 1999. All full-time employees are covered by the plan after completing 1,000 hours of service. As employer, the Village contributes an amount equal to 9% of the employee's compensation each month. At the employee's discretion the employee may designate a portion of the salary as a contribution to an employer sponsored individual retirement account. Employees are 100% vested after enrollment, and benefits are available at age 59 ½.

If an employee terminates his/her employment before age 59 ½, 100% of the account is immediately made available to the employee. If the employee dies before age 59 ½, 100% of the account is available to the beneficiary. The plan has certain provisions for hardship withdrawal.

The plan is funded through Pershing and Co., a division of DLJSC. The employees take full responsibility for investing their contributions as well as their share of the Village's contributions. The Village Clerk- Treasurer and Village Attorney are the plan administrators.

For the fiscal years ending June, 30, 2008 and June 30, 2007 respectively the Village incurred \$ 51,323 and \$ 49,258 in total pension costs. Pension costs are in current service costs accrued and funded on a current basis. There are no prior service costs. Total compensation for the years ended June 30, 2008 and June 30, 2007 respectively was \$ 709, 402 and \$ 702, 888 .

NOTE 11. Post-Employment Benefits

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Village has elected not to participate in the program for the current year.

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NOTE 12. Contingent Liabilities

The Village of Taos Ski Valley is insured through the New Mexico Self Insurer's Fund. Coverage provided included all-peril on building and contents: crime coverage, general liability, civil rights and personal injury: motor vehicle and fleet property damage and liability: and statutory workmen compensation coverage. The crime coverage portion of this insurance includes employee fidelity/faithful performance coverage up to \$ 5,000 each occurrence.

NOTE 13. Federal and State Grants

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

NOTE 14. Connection Charges

The Village offered customers of the Village the opportunity to be repaid for excess connection charges that had been recorded as contributed capital of the Village. As of July 1, 1999 the total excess connection charges amounted to \$ 580,108. All customers were offered and certain customers elected to be repaid excess connection charges in the future periods... The customers that elected and returned the repayment agreement will be paid interest in the amount of 5% per annum until the repayment occurs.

The connection charges payable as of June 30, 2008 was \$ 382,040 and accrued interest on that amount totaled \$ 10,528.

NOTE 15. Water Rights

The Village maintains certain water rights to provide services as follows:

Diversion Points:

These diversion points are approved for the beneficial uses of residential, commercial, municipal, snowmaking, and construction.

Kachina (Phoenix) Spring:

This is the primary producer of the water for the system. All permits are approved for all beneficial uses at all diversion points, pursuant to the restrictions of the specific 92 permit.

Gunsite Spring:

This spring is developed but is not currently used. Water from this source cannot be used within the distribution system without treatment, due to the water quality requirements of the Safe Drinking Water Act.

Beaver pond:

This point is developed but no currently used. It could be used for fire, construction or other non-potable emergency uses, but is not considered a primary diversion point. Water from this source cannot be used within the distribution system without treatment due to the water quality requirements of the Safe Drinking Water Act.

Burroughs Spring:

This point is not currently developed. It is considered eligible for development and could be developed and cold be developed for future use.

Water Right Files:

When application is made to the State Engineer's Office (SEO) for water rights, the application is given a file number. The following files pertain to the Village:

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File # 3751

This permit was approved on April 22, 1982. This permit allows for the diversion of 200 acre-feet with compensation rights of during the period of November 1 through April 10 each year. Year round use by the Village is not permitted due to heavy summer appropriation of the Rio Hondo River. The permit approved for all diversion points for all uses.

File # 0444A

This permit allows a diversion of 178.2 acre-feet per year, with a consumption right of 8.91 acre-feet per year. These were obtained from the Pattison Family Trust in February 2006 in a settlement agreement. This water may be used year-round for all uses at all diversion points, but only in the O.E. Pattison Subdivision.

File # 0444AA

This permit allows a diversion of 40 acre-feet per year with consumption rights of 2 acre-feet per year. These were obtained from the Pattison Family Trust with change of ownership being approved on December 23, 1987. This water may be used year-round for all uses at all diversion points.

Well Sub-File # Y-8

The Rio Pueblo de Taos/Rio Hondo Adjudication (Rio Pueblo Vol. 2) in U.S. District Court awarded the well to the Village. It allows 3-acre-feet diversion rights. At the time, a well exists to divert water, but is not in use.

NOTE 16. Subsequent Accounting Standard Pronouncements

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is effective for financial statements for periods beginning after December 15, 2006, for phase 1 governments (those with total annual revenues of \$100 million or more); after December 15, 2007, for phase 2 governments (those with total annual revenues of \$10 million but less than \$100 million); and after December 15, 2008, for phase 3 governments (those with total annual revenues of less than \$10 million). In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial report of state and local governmental employers.

NOTE 17. Commitment

The Village entered into a commitment for a NMFA loan to repair and upgrade the waste water system in October 2007 for \$ 865,358. This loan is on a draw down basis and according to management, may not be borrowed and the Village is planning on paying back all that has been borrowed this year. The Village has a contract in the amount of \$41,750 plus expenses with an architect to design a new public safety building. The Village also has a contract in the amount of \$28,888 to perform repairs to the roof of the Village property.

NOTE 18. Joint Powers Agreements

Creation of “The Enchanted Circle Regional Fire Protection Association”

Purpose: The agreement is for the sole purpose of establishing, implementing, and maintaining a regional fire protection association. This program will provide cooperative fire suppression, firefighter training programs, and cost efficient purchasing of firefighting equipment and supplies for all parties involved.

Participants: The Village of Taos, The Village of Taos Ski Valley, The Village of Angel Fire, The Village of Eagle Nest, The Village of Taos Ski Valley, The Village of Questa, The County of Taos, and The

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County of Colfax

NOTE 18. Joint Powers Agreements (continued)

Responsible Party for Operation and Audit: The Village of Taos

Beginning and Ending Date of Agreement: Started March 23, 2007 and is renewed annually with changes made no later than September 30

Total Estimated Amount of Project and Actual Amount Contributed: None

Energy Minerals and Natural Resources Department

Purpose: To document EMNRD and the Village of Taos Ski Valley's commitment to wildland fire suppression by using interagency cooperation, management assistance, and cooperation with the use of federal excess property.

Participants: The Village of Taos Ski Valley and EMNRD

Responsible Party for Operation and Audit: EMNRD

Beginning and Ending Date of Agreement: Started September 26, 2006 and is renewed annually with changes made no later than September 30

Total Estimated Amount of Project and Actual Amount Contributed: Unknown

Note 19 Restatement of Retained Earnings

During the fiscal year ending June 30, 2008, the Village discovered that there had been an error in the amount reported for grants receivable and the amount reported for connection charges payable. The restatement is a correction of a prior period error.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
June 30, 2008

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Village with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Environmental Gross Receipts Tax Fund:

To account for the operation and maintenance of funds restricted for the operation and closure of landfills. Funding is provided by a ¼ of 1% tax on the Gross Receipts within the Village.

Emergency Services Fund:

To account for the operations and maintenance of medical service, equipment in the Village of Taos Ski Valley. Authority NMSA 1978 24-10A-1 to 10

Recreation Fund

To account for the revenues generate by cigarette taxes and other sources, which are restricted to expenditures for recreation purposes. Authority NMSA 1978 7-1-6, 11a,7-12-1 to 16

PROPRIETARY MAJOR FUNDS

Joint Utility Fund

To account for the activities of the Village's water and sewer operations.

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

Schedule A-1

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|---|----------------------------|-----------------|---|
| | Environmental Gross Receipts Tax Fund | Emergency Services Fund | Recreation Fund | |
| <i>Assets</i> | | | | |
| Cash and cash equivalents | \$ 14,056 | \$ 6,886 | \$ 3,658 | 24,600 |
| Investments | - | - | - | - |
| Accounts and taxes receivable | - | - | - | - |
| Other receivables | - | - | - | - |
| Due from other governments | - | - | - | - |
| Inventory | - | - | - | - |
| Due from other funds | 733 | - | - | 733 |
| <i>Total assets</i> | <u>\$ 14,789</u> | <u>\$ 6,886</u> | <u>\$ 3,658</u> | <u>25,333</u> |
| <i>Liabilities</i> | | | | |
| Accounts payable | \$ 1,622 | \$ 483 | \$ 785 | \$ 2,890 |
| Accrued salaries and benefits | - | - | - | - |
| Accrued compensated absences | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Due to other funds | - | - | - | - |
| <i>Total liabilities</i> | <u>1,622</u> | <u>483</u> | <u>785</u> | <u>2,890</u> |
| <i>Fund balances</i> | | | | |
| Reserved for: | | | | |
| Special Revenue funds | 13,167 | 6,403 | 2,873 | 22,443 |
| Unreserved | | | | |
| Designated for subsequent year | - | - | - | - |
| Unreserved, undesignated | - | - | - | - |
| <i>Total fund balances</i> | <u>13,167</u> | <u>6,403</u> | <u>2,873</u> | <u>22,443</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 14,789</u> | <u>\$ 6,886</u> | <u>\$ 3,658</u> | <u>\$ 25,333</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2008

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|--|---|---------------------------------------|-----------------|---|
| | Environmental Gross Receipts Tax Fund | Emergency Medical Services Fund | Recreation Fund | |
| <i>Revenues:</i> | | | | |
| Taxes | | | | |
| Gross receipts taxes | \$ 17,847 | \$ - | \$ - | \$ 17,847 |
| Intergovernmental Income | 900 | 5,214 | 785 | 6,899 |
| Charges for Services | - | - | - | - |
| Licenses and Fees | 26,884 | 392 | 908 | 28,184 |
| Investment Income (Loss) | 458 | 631 | 27 | 1,116 |
| Miscellaneous | - | 5,231 | - | 5,231 |
| <i>Total revenues</i> | <u>46,089</u> | <u>11,468</u> | <u>1,720</u> | <u>59,277</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | 44,388 | 28,737 | - | 73,125 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | 1,239 | 1,239 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | 8,452 | 3,000 | - | 11,452 |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>52,840</u> | <u>31,737</u> | <u>1,239</u> | <u>85,816</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(6,751)</u> | <u>(20,269)</u> | <u>481</u> | <u>(26,539)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Bond Proceeds | - | - | - | - |
| Transfers In | - | 15,796 | - | 15,796 |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>15,796</u> | <u>-</u> | <u>15,796</u> |
| <i>Net change in fund balances</i> | (6,751) | (4,473) | 481 | (10,743) |
| <i>Fund balances - beginning of year</i> | <u>19,918</u> | <u>10,876</u> | <u>2,392</u> | <u>33,186</u> |
| <i>Fund balances - end of year</i> | <u>\$ 13,167</u> | <u>\$ 6,403</u> | <u>\$ 2,873</u> | <u>\$ 22,443</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
ENVIRONMENTAL GROSS RECEIPTS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-----------------|-------------------|--|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ 18,180 | \$ 18,180 | \$ 17,847 | \$ (333) |
| Intergovernmental Income | 1,250 | 1,250 | 900 | (350) |
| Charges For Services | - | - | - | - |
| Licenses and Fees | 25,200 | 25,200 | 26,884 | 1,684 |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | 400 | 400 | 458 | 58 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>45,030</u> | <u>45,030</u> | <u>46,089</u> | <u>1,059</u> |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | 39,567 | 45,167 | 42,766 | 2,401 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | 13,500 | 13,500 | 8,452 | 5,048 |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>53,067</u> | <u>58,667</u> | <u>51,218</u> | <u>7,449</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(8,037)</u> | <u>(13,637)</u> | <u>(5,129)</u> | <u>8,508</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 8,037 | 13,637 | - | (13,637) |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>8,037</u> | <u>13,637</u> | <u>-</u> | <u>(13,637)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | (5,129) | (5,129) |
| <i>Cash Balance - Beginning of Year</i> | - | - | 21,990 | 21,990 |
| <i>Cash Balance - End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,861</u> | <u>\$ 16,861</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | (1,622) | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | - | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ (6,751)</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
EMERGENCY MEDICAL SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|--------------------|------------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | 5,000 | 5,000 | 5,214 | 214 |
| Charges For Services | - | - | - | - |
| Licenses and Fees | 445 | 445 | 392 | (53) |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | 305 | 305 | 631 | 326 |
| Miscellaneous | 3,000 | 3,000 | 5,231 | 2,231 |
| <i>Total revenues</i> | <u>8,750</u> | <u>8,750</u> | <u>11,468</u> | <u>2,718</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | 33,020 | 33,020 | 28,254 | 4,766 |
| Public Works | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | 3,000 | (3,000) |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>33,020</u> | <u>33,020</u> | <u>31,254</u> | <u>1,766</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(24,270)</u> | <u>(24,270)</u> | <u>(19,786)</u> | <u>4,484</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 24,270 | 24,270 | - | (24,270) |
| Transfers In | - | - | - | - |
| Transfers Out | (16,330) | 16,330 | 15,796 | (534) |
| <i>Total other financing sources (uses)</i> | <u>7,940</u> | <u>40,600</u> | <u>15,796</u> | <u>(24,804)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>(16,330)</u> | <u>16,330</u> | <u>(3,990)</u> | <u>(20,320)</u> |
| <i>Cash Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>12,203</u> | <u>12,203</u> |
| <i>Cash Balance - End of Year</i> | <u>\$ (16,330)</u> | <u>\$ 16,330</u> | <u>\$ 8,213</u> | <u>\$ (8,117)</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | 844 | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | <u>-</u> | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ (3,146)</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | 785 | 785 |
| Charges For Services | - | - | - | - |
| Licenses and Fees | 890 | 890 | 908 | 18 |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | 27 | 27 |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | 890 | 890 | 1,720 | 830 |
| <i>Expenditures:</i> | | | | |
| Current: | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Public Works | - | - | - | - |
| Culture and Recreation | 890 | 890 | 454 | 436 |
| Health and Welfare | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | 890 | 890 | 454 | 436 |
| <i>Excess (deficiency) of revenues over expenditures</i> | - | - | 1,266 | 1,266 |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | 890 | - | - | - |
| <i>Total other financing sources (uses)</i> | 890 | - | - | - |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | 890 | - | 1,266 | 1,266 |
| <i>Fund Balance - Beginning of Year</i> | - | - | 2,392 | 2,392 |
| <i>Fund Balance - End of Year</i> | \$ 890 | \$ - | \$ 3,658 | \$ 3,658 |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | (785) | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | - | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | \$ 481 | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
INFRASTRUCTURE CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|--------------------|-------------------|--------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ 77,720 | \$ 77,720 | \$ 76,392 | \$ (1,328) |
| Intergovernmental Income | 59,482 | 59,482 | 59,483 | 1 |
| Charges For Services | - | - | 4,593 | 4,593 |
| Licenses and Fees | 5,000 | 5,000 | 14,046 | 9,046 |
| Interest Income | - | - | - | - |
| Investment Income(Loss) | - | - | 1,282 | 1,282 |
| Miscellaneous | - | - | 6,987 | 6,987 |
| <i>Total revenues</i> | <u>142,202</u> | <u>142,202</u> | <u>162,783</u> | <u>20,581</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Public Works | 148,615 | 196,116 | 181,977 | 14,139 |
| Culture and Recreation | - | - | - | - |
| Health and Welfare | - | - | - | - |
| Capital Outlay | 104,310 | 104,310 | 107,263 | (2,953) |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>252,925</u> | <u>300,426</u> | <u>289,240</u> | <u>11,186</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(110,723)</u> | <u>(158,224)</u> | <u>(126,457)</u> | <u>31,767</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | 110,723 | 158,224 | - | (158,224) |
| Transfers In | - | - | - | - |
| Transfers Out | (65,881) | 113,381 | 103,158 | (10,223) |
| <i>Total other financing sources (uses)</i> | <u>44,842</u> | <u>271,605</u> | <u>103,158</u> | <u>(168,447)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | <u>(65,881)</u> | <u>113,381</u> | <u>(23,299)</u> | <u>(136,680)</u> |
| <i>Fund Balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>77,785</u> | <u>77,785</u> |
| <i>Fund Balance - End of Year</i> | <u>\$ (65,881)</u> | <u>\$ 113,381</u> | <u>\$ 54,486</u> | <u>\$ (58,895)</u> |
| Adjustment expenditures for payables, payroll taxes, prepaid expenses and other accruals | | | - | |
| Adjustment for revenues for tax accruals, earnings on investments, and other deferrals and accruals | | | (5,004) | |
| <i>Excess (deficiency) of revenues over expenditures (GAAP basis)</i> | | | <u>\$ (28,303)</u> | |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
JOINT UTILITY PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|------------------|---------------------|---|
| | Original | Final | (Non-GAAP Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | - | - |
| Charges For Services | 722,214 | 722,214 | 767,466 | 45,252 |
| Investment Income(Loss) | 3,910 | 3,910 | 8,545 | 4,635 |
| Miscellaneous | 127,700 | 127,700 | 242,974 | 115,274 |
| <i>Total revenues</i> | <u>853,824</u> | <u>853,824</u> | <u>1,018,985</u> | <u>165,161</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Operating Expenses | 412,675 | 378,323 | 313,485 | 64,838 |
| Travel | 5,200 | 5,200 | 4,662 | 538 |
| Gross Receipts Tax | - | - | - | - |
| Depreciation | - | 242,094 | 242,094 | - |
| Purchases for Resale | 41,863 | 41,863 | - | 41,863 |
| Contract Services | 55,500 | 141,819 | 88,914 | 52,905 |
| Salaries | 146,424 | 156,390 | 127,429 | 28,961 |
| Supplies | 64,750 | 73,755 | 95,295 | (21,540) |
| <i>Debt Service:</i> | | | | |
| Principal | - | - | - | - |
| Interest | - | 56,474 | 56,393 | 81 |
| <i>Total expenditures</i> | <u>726,412</u> | <u>1,095,918</u> | <u>928,272</u> | <u>167,646</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>127,412</u> | <u>(242,094)</u> | <u>90,713</u> | <u>332,807</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated Cash | (14,182) | 359,819 | - | (359,819) |
| Transfers In | - | - | - | - |
| Transfers Out | (113,230) | (117,725) | (116,850) | 875 |
| <i>Total other financing sources (uses)</i> | <u>(127,412)</u> | <u>242,094</u> | <u>(116,850)</u> | <u>(358,944)</u> |
| <i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i> | - | - | (26,137) | (26,137) |
| <i>Fund balance - Beginning of Year</i> | <u>-</u> | <u>-</u> | <u>1,557,362</u> | <u>1,557,362</u> |
| <i>Fund balance - End of Year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>1,531,225</u> | <u>\$ 1,531,225</u> |

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
SCHEDULE OF CASH AND INVESTMENT ACCOUNTS
JUNE 30, 2008

Schedule I

| Bank Account Type/Name | Centinel Bank | Total |
|--|-------------------|---------------------|
| Checking - General | \$ 117,169 | \$ 117,169 |
| Checking-General Government Impact Fee | 50,909 | 50,909 |
| Checking - Roads Impact Fee | 37,185 | 37,185 |
| Checking- EMS Impact Fee | 1,143 | 1,143 |
| Checking - Parking and Recreation Impact Fee | 2,849 | 2,849 |
| Checking- Law Enforcement Impact Fee | 2,142 | 2,142 |
| Checking- Fire Department Impact Fee | 20,028 | 20,028 |
| | | |
| Total On Deposit | 231,425 | 231,425 |
| | | |
| Reconciling Items | 23,130 | 23,130 |
| | | |
| Reconciled Balance | <u>\$ 208,295</u> | \$ 208,295 |
| | | |
| Amounts held in NMFA cash reserves | | 534 |
| Petty cash | | 200 |
| Investments in NM State Treasurer | | <u>1,321,585</u> |
| | | |
| Total June 30, 2008 | | <u>\$ 1,530,614</u> |

This amount is reflected in the financial statements as follows:

| | |
|--|---------------------|
| Cash and cash equivalents-Governmental activities | \$ 1,089,147 |
| Cash and cash equivalents-Business type activities | 441,467 |
| Investments-Total Primary Government | - |
| | <u>\$ 1,530,614</u> |

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

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2008

Schedule II

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2008 | Name and Location of Safekeeper |
|-----------------------|---|---------------------------------------|---|
| Centinel Bank | Capitan Muni GO Bond Cusip 140552CL2 4.70% Due 7/1/09 | \$ 102,746 | Texas Independent Bank Dallas, Texas |
| Centinel Bank | FHLB Cusip 3133M86T 5.95% Due 3/16/09 | 102,156 | Texas Independent Bank Dallas, Texas |
| Centinel Bank | Texico NM MSD Cusip 883005BP 5.2% Due 8/1/08 | <u>50,300</u> | Texas Independent Bank Dallas, Texas |
| | | <u>\$ 255,202</u> | |

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

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COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Village Council
Village of Taos Ski Valley
Taos Ski Valley, New Mexico

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statements of the general fund and major special revenue funds of the Village of Taos Ski Valley (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated September 12, 2008. We also have audited the financial statements and budgetary comparison schedules of each of the Village's non-major governmental funds and the major capital projects fund and the enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Taos Ski Valley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Taos Ski Valley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Taos Ski Valley's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entities internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

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

Precision Accounting LLC
Albuquerque, New Mexico
September 12, 2008

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STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2008

A. FINDINGS-FINANCIAL STATEMENT AUDIT

There were no current year findings.

B. PRIOR YEAR AUDIT FINDINGS

FA 07-01 Disposition of Property

Resolved and not repeated in the current year.

STATE OF NEW MEXICO
VILLAGE OF TAOS SKI VALLEY
OTHER DISCLOSURES
June 30, 2008

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The Village contracted with an outside accountant who prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. The fee accountant is capable of preparing, and understanding the financial statements.

B. EXIT CONFERENCE

The contents of this report were discussed on September 12, 2008. The following individuals were in attendance.

Village of Taos Ski Valley
Barbara Wiard, Councilor
Vanessa Chisholm, Village Clerk/Treasurer
Susan Steele, Village Administrator

Precision Accounting LLC
Melissa R. Santistevan, CPA
C. Jack Emmons, CPA, CFE
Karen Scales, Staff auditor