



TOWN OF TAOS FINANCIAL
STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2020

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INTRODUCTORY SECTION

TOWN OF TAOS

June 30, 2020

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TOWN OF TAOS

Official Roster
June 30, 2020

Town Council

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

Administration

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Town Council
Town of Taos
U.S. Office of Management and Budget
Taos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the Town of Taos (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund and major special revenue fund of the Town, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12 through 19 and Schedules A-1 through B-2 and the notes to the Required Supplementary Information on pages 84 through 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Cordova CPAs LLC
Albuquerque, New Mexico
December 11, 2020

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TOWN OF TAOS
Management's Discussion and Analysis
June 30, 2020

We are pleased to present the Town of Taos's financial statements for the fiscal year ended June 30, 2020. Management's discussion and analysis of these statements is also provided to help the reader fully understand the Town's financial condition.

FINANCIAL HIGHLIGHTS

- The Town of Taos' total assets exceeded its total liabilities at the close of the fiscal year by \$84,568,829 (*net position*). Of this amount, (\$4,290,105) is (*unrestricted net position*), due to the on-going implementation of GASB Statement No. 68 and Statement No. 75. The Town along with other governmental entities throughout the entire state have experienced the negative effect with these two GASB Statements. Even though ending the year with this negative amount, the Town has at this time the available cash balances to meet the government's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$806,522 during the fiscal year. The majority of this overall increase was due to an increase in gross receipts tax distribution refund for a taxpayer that had an amended return for a period of 36 months resulting in a reclassification under the category of Food Distribution. Other increases were to capital grants associated with the engineering services for Bureau of Reclamation Abeyta project and charges for services for concert event fees being increased as compared to previous years.
- As of June 30, 2020, the Town's governmental activities reported a combined ending net position balance of \$56,889,625. Of this total, \$4,940,332 is designated for debt service and capital projects.
- At the close of the current fiscal year, the unassigned fund balance for the general fund was \$2,385,268, amounting to 33 percent of total general fund expenditures.
- The Town of Taos' total debt had a net decrease of \$1,105,855 during the year due to scheduled principal payments being paid. Compensated absences increased by \$16,025 from last fiscal year due to employees taking less time off during the pandemic and accruals at the maximum with several tenured employees. The Town paid \$1,434,358 towards the principal of several of its government loans, bonds, compensated absences and contracts payable.

Overview of the Financial Statements

The Town's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

TOWN OF TAOS
Management's Discussion and Analysis
June 30, 2020

three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

The Town of Taos fiduciary funds account for the collection of street cut permits and deposits for recreation events. The basic fiduciary fund financial statement can be found in Exhibits E-1 and E-2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-82 of this report.

Combining statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 106-117 of this report.

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Management's Discussion and Analysis
June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, the net of assets over liabilities, otherwise known as net position, may serve over time as a useful indicator of a government's financial position. In the case of the Town of Taos, assets exceeded liabilities by \$84,568,829 at the close of the current fiscal year.

The significant portion of the Town of Taos' net position represents the Town's investment of \$76,467,206 in capital assets (e.g., land improvements, buildings, infrastructure and machinery & equipment), less any related outstanding debt used to acquire those assets. The Town of Taos uses these capital assets to provide services to its citizens, so these assets are *not* available for future spending. Although the Town of Taos' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current and other assets	\$ 17,643,254	\$ 8,819,784	\$ 26,463,038
Restricted cash, cash equivalents & investments	378,018	1,566,735	1,944,753
Restricted investments		75,400	75,400
Bond issuance costs and discount	-	-	-
Capital assets, net of accumulated depreciation	60,010,172	24,280,189	84,290,361
Total assets	78,031,444	34,742,108	112,773,552
<u>Deferred Outflows of Resources</u>			
Deferred Outflows - pension	2,391,472	205,577	2,597,049
Deferred Outflows - OPEB	211,887	29,024	240,911
Total deferred outflows of resources	2,603,359	234,601	2,837,960
Total assets and deferred outflows of resources	\$ 80,634,803	\$ 34,976,709	\$ 115,611,512
<u>Liabilities</u>			
Current Liabilities	\$ 1,913,145	\$ 1,311,555	\$ 3,224,700
Non-current liabilities	18,436,168	5,524,882	23,961,050
Total liabilities	20,349,313	6,836,437	27,185,750
<u>Deferred Inflows of Resources</u>			
Deferred Inflows - pension	1,050,397	134,836	1,185,233
Deferred Inflows - OPEB	2,345,468	326,232	2,671,700
Total deferred inflows of resources	3,395,865	461,068	3,856,933
<u>Net Position</u>			
Net investment in capital assets	55,887,499	20,579,707	76,467,206
Restricted	11,064,827	1,326,901	12,391,728
Unrestricted	(10,062,701)	5,772,596	(4,290,105)
Total net position	\$ 56,889,625	\$ 27,679,204	\$ 84,568,829
Total Liabilities and Net Position	\$ 80,634,803	\$ 34,976,709	\$ 115,611,512

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A portion of the Town of Taos' governmental restricted net position of \$11,064,827 (19 percent) represents resources that are subject to restrictions related to covenants arising from the Town's long-term debt issuance and capital projects. The remaining balance of *unrestricted net position*, (\$10,062,701) previously stated, continues as a negative due to the implementation of GASB Statement 68 and Statement 75 reported in the financials. In the previous year, this amount was (\$9,133,839). Taking that negative into consideration, the Town still has the available cash to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Taos is able to report positive balances in all categories of net position for both governmental and business-type activities.

Analysis of Changes in Net Position

The Town's net position increased by \$806,522 during the fiscal year. This increase is primarily the result of increase of gross receipts taxes, property taxes, capital grants, and charges for services in the General Government.

<u>Revenues</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenues:			
Charges for service	\$ 1,380,342	\$ 5,166,895	\$ 6,547,237
Operating grants and contributions	1,048,026	-	1,481,485
Capital grants and contributions	658,045	621,474	846,060
General revenues:			
Property taxes, levied for general purposes	1,217,178	-	1,217,178
Gross receipts taxes	12,793,210	570,343	13,363,553
Gasoline, franchise and motor vehicle	676,214	-	676,214
Lodger's Taxes	1,017,052	-	1,017,052
Interest income (loss)	51,036	30,729	81,765
Miscellaneous income	186,433	13,511	199,944
Transfer to other entity	-	-	-
Loss on disposal of capital assets	-	-	-
	<u>19,027,536</u>	<u>6,402,952</u>	<u>25,430,488</u>
 Total Revenues			
Program expenses:			
General government	\$ 9,742,993	\$ -	\$ 9,742,993
Public safety	4,140,601	-	4,140,601
Public works	1,621,695	-	1,621,695
Culture and recreation	2,696,869	-	2,696,869
Health and welfare	-	-	-
Interest and other costs	174,504	-	174,504
Joint water and sewer	-	5,024,028	5,024,028
Solid waste	-	166,124	166,124
Taos Regional Landfill	-	1,057,152	1,057,152
Total Expenses	<u>18,376,662</u>	<u>6,247,304</u>	<u>24,623,966</u>
 Change in net position	650,874	155,648	806,522
 Net Position, beginning	<u>56,238,751</u>	<u>27,523,556</u>	<u>83,762,307</u>
 Net Position, ending	<u>\$ 56,889,625</u>	<u>\$ 27,679,204</u>	<u>\$ 84,568,829</u>

TOWN OF TAOS
Management's Discussion and Analysis
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Governmental activities. Governmental activities increased the Town of Taos' net position by \$650,874 primarily as the result of an increase in gross receipts taxes from an amended report by a taxpayer resulting in over \$1,000,000 for a period of 36 months. Even with increases in general government expenditures the net position of the Town increased during the year.

Tax revenues account for \$15,703,654 or 83 percent of governmental revenues. Tax revenues are made up of property, gross receipts, gasoline and motor vehicle and other taxes. Tax revenues increased by \$1,422,717 from last fiscal year.

The General fund received the majority of the Town's program revenue, accounting for \$9,742,993 or 51 percent of total governmental revenues. The primary recipients of these revenues are general government, public safety and culture and recreation.

The Town's direct charges to users of governmental services made up \$1,380,342 or 7 percent of total governmental revenues. These charges are for fees, fines and forfeitures, and licenses and permits. As previously stated, the charges for fees due to our concert events contributed substantially to this increase. Prior to the pandemic, we were set to break record revenue collections between our gross receipts tax and our lodger's tax revenue.

Business-type activities. Business-type activities increased the Town's net position by \$155,648, primarily as the result of increase in gross receipts taxes and capital grants as previously stated for the BOR Abeyta project.

The Town's direct charges to users of business-type services made up \$5,166,895 or 81 percent of total business-type revenues. These charges are for water and sewer services, water and sewer connection fees, landfill tipping fees and solid waste services. These direct charges for service decreased by \$462,051 from the previous year, primarily as the result of the new contract by Waste Management for solid waste collections, billing and revenue that still had an effect on the revenue from the previous year. Even though revenues were down for solid waste, landfill revenues were up due to the stay at home order with the pandemic and residents taking advantage of yard cleaning and taking the refuse to the Landfill. The Town's direct charges for the joint water and sewer program were slightly down and also expenditures were down due to several vacancies within those departments. The Town still continues looking at the joint water and sewer program, such as refunding of debt service and analysis of direct cost of employees expensed to the program.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

The Town of Taos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Revenues for governmental functions overall totaled approximately \$18,988,698 in the fiscal year ended June 30, 2020, which represents an increase of \$1,926,369 from the fiscal year ended June 30, 2019. This is largely due to the increase in gross receipts taxes. Expenditures for governmental functions, totaling \$14,867,731 decreased by approximately \$192,627 from the fiscal year ended June 30, 2019. This is due mainly to the decrease in expenditures for capital projects from the previous fiscal year. In the fiscal year ended June 30, 2020, revenues for governmental functions exceeded expenditures by approximately \$4,120,967.

The General Fund is the chief operating fund of the Town of Taos. It is from here that the Town pays for public safety and other basic services it provides to its citizens. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$2,385,268 along with a minimum fund balance of \$3,336,738.

Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2020 of \$3,414,639 an increase of \$905,529 over the comparable figure from the prior year of \$987,241. The Town's overall financial position improved with well know artist Sting as we continue with our music venue and community events for tourists and locals alike bringing in additional gross receipts tax. During the year, there were also several personnel vacancies within various departments that contributed to the expenditures being less than what was originally budgeted; although actual expenditures did show an increase as compared to the previous year, still the Town experienced a positive performance.

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

At the end of the fiscal year, the unrestricted net position for enterprise funds were \$5,772,596. The total increase in net position for the enterprise funds was \$155,648 compared to (\$48,938) from the prior year. This was again a much-improved performance from the previous two-year decreases. The Town continues to build up the asset management fund to a level in meeting the required replacement of the water and sewer system for years to come.

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

General Fund Budgetary Highlights

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

The following table examines the summary budget performance of the general fund for the fiscal year ending June 30, 2020. Detailed budget performance is examined through the Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund found at Exhibit C-1. The Town's final budget differs from the original budget due to amendments that were made during the fiscal year and the increase of expenditures. Actual general fund expenditures were \$110,349 less than budgeted. This year major adjustments were made at mid-year and end of the year for several one-time capital, maintenance and operational requests in several departments within the Town to utilize the favorable variance savings and anticipated COVID-19 related issues going into FY 2021.

	Budget Amounts		Actual (GAAP Basis)	Favorable (Unfavorable) Variance
	Original	Final		
<i>Expenditures:</i>				
General government	\$ 5,217,439	\$ 4,538,146	\$ 4,265,645	\$ 272,501
Public safety	3,673,281	3,121,804	3,230,363	(108,559)
Public works	1,184,710	989,949	1,007,773	(17,824)
Culture and recreation	1,829,536	1,470,664	1,506,433	(35,769)
Capital outlay	-	-	-	-
<i>Total Expenditures</i>	<u>\$ 11,904,966</u>	<u>\$ 10,120,563</u>	<u>\$ 10,010,214</u>	<u>\$ 110,349</u>

TOWN OF TAOS
Management's Discussion and Analysis
June 30, 2020

Capital Asset and Debt Administration

Capital assets. The Town of Taos' capital assets for its governmental and business-type activities as of June 30, 2020 amount to \$84,290,363 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and infrastructure. The Town's capital assets for the current fiscal year decreased \$3,686,722 for governmental activities and decreased \$798,218 for business-type activities (net of accumulated depreciation).

The additions to capital assets during the year were minimum but also, we have many engineering contracts active for several capital projects in the future that are reflected on our significant commitment list included in the financial statements. The additions to capital assets were as follows:

- \$766,316 of additions to governmental infrastructure and equipment/vehicles for completion and/or purchase of the following –LAMS Repair and Replacement, Server and Storage Replacement, Ice Resurfacer, Fire Administration Vehicle, Mower for Parks, and Improvements to Kit Carson Park Stage Area, Youth & Family Pool Boilers and Town Hall Boiler/Heat Exchange.
- \$135,374 of additions to the business-type infrastructure of the following – Water System Improvements, Meter Reading Equipment and Scheurich Lane Sewer.

	Governmental Activities	Business-like Activities	Total
Land	\$ 6,615,288	\$ 262,422	\$ 6,877,710
Constuction in progress	860,034	2,103,346	2,963,380
Land improvements	7,527,676	104,895	7,632,571
Buildings and improvements	36,028,513	4,656,981	40,685,494
Machinery and Equipment	17,135,949	9,673,855	26,809,804
Infrastructure	84,840,894	38,991,417	123,832,311
Total capital assets	<u>153,008,354</u>	<u>55,792,916</u>	<u>208,801,270</u>
Less: accumulated depreciation	<u>(92,998,182)</u>	<u>(31,512,725)</u>	<u>(124,510,907)</u>
Total property, plant and equipment, net of accumulated depreciation	<u>\$ 60,010,172</u>	<u>\$ 24,280,191</u>	<u>\$ 84,290,363</u>

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

TOWN OF TAOS
Management's Discussion and Analysis
June 30, 2020

Debt Administration. At the end of the current fiscal year, the Town of Taos had total long-term obligations outstanding of \$8,984,877. In total, outstanding debt decreased by \$1,105,855 from the previous fiscal year. The Town continues to look at options of either paying off early or refinancing those loans with higher interest rates and low balances to further reduce outstanding debt.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue Bonds	\$ 2,860,000	\$ 1,534,600	\$ 4,394,600
NMFA amd RUS Loans	1,239,059	2,165,882	3,404,941
USDA Contract Payable	-	-	-
Compensated absences	651,555	100,797	752,352
Landfill Closure Liability	-	432,984	432,984
	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	<u>\$ 4,750,614</u>	<u>\$ 4,234,263</u>	<u>\$ 8,984,877</u>

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

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

REQUESTS FOR INFORMATION

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

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**BASIC
FINANCIAL STATEMENTS**

TOWN OF TAOS
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 12,168,275	\$ 6,206,047	\$ 18,374,322
Investments	2,419,128	1,596,460	4,015,588
Receivables:			
Property taxes	226,845	-	226,845
Taxes receivable	2,038,407	81,854	2,120,261
Due from other governments	463,196	32,739	495,935
Customer receivable, net	-	845,441	845,441
Inventory	303,320	81,326	384,646
Internal balances	24,083	(24,083)	-
<i>Total current assets</i>	<u>17,643,254</u>	<u>8,819,784</u>	<u>26,463,038</u>
Noncurrent assets			
Restricted cash and cash equivalents	378,018	1,566,735	1,944,753
Restricted investments	-	75,400	75,400
Capital assets	153,008,354	55,792,915	208,801,269
Less: accumulated depreciation	(92,998,182)	(31,512,726)	(124,510,908)
<i>Total noncurrent assets</i>	<u>60,388,190</u>	<u>25,922,324</u>	<u>86,310,514</u>
<i>Total assets</i>	<u>78,031,444</u>	<u>34,742,108</u>	<u>112,773,552</u>
Deferred outflows of resources			
Deferred outflows- pension	2,391,472	205,577	2,597,049
Deferred outflows- OPEB	211,887	29,024	240,911
<i>Total deferred outflows of resources</i>	<u>2,603,359</u>	<u>234,601</u>	<u>2,837,960</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 80,634,803</u>	<u>\$ 34,976,709</u>	<u>\$ 115,611,512</u>

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

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 504,080	\$ 512,970	\$ 1,017,050
Accrued payroll	298,492	44,713	343,205
Accrued compensated absences	260,643	28,210	288,853
Deposits held in trust for others	5,103	315,234	320,337
Accrued interest	16,053	61,333	77,386
Current portion of bonds and loans payable	828,774	349,095	1,177,869
<i>Total current liabilities</i>	<u>1,913,145</u>	<u>1,311,555</u>	<u>3,224,700</u>
Noncurrent liabilities			
Accrued compensated absences	390,912	72,587	463,499
Bond premiums, net of accumulated amortization of \$47,228	23,614	-	23,614
Bonds payable	2,430,000	1,468,600	3,898,600
Loans payable	840,285	1,882,787	2,723,072
Landfill closure and post-closure	-	432,984	432,984
Net pension liability	11,221,739	1,200,324	12,422,063
Net OPEB liability	3,529,618	467,600	3,997,218
<i>Total noncurrent liabilities</i>	<u>18,436,168</u>	<u>5,524,882</u>	<u>23,961,050</u>
<i>Total liabilities</i>	<u>20,349,313</u>	<u>6,836,437</u>	<u>27,185,750</u>
Deferred inflows of resources			
Deferred inflows- pension	1,050,397	134,836	1,185,233
Deferred inflows- OPEB	2,345,468	326,232	2,671,700
<i>Total deferred inflows of resources</i>	<u>3,395,865</u>	<u>461,068</u>	<u>3,856,933</u>
Net position			
Net investment in capital assets	55,887,499	20,579,707	76,467,206
Restricted for:			
Debt service	451,569	-	451,569
Capital projects	4,488,763	-	4,488,763
Special revenue projects	6,124,495	-	6,124,495
Landfill	-	1,326,901	1,326,901
Unrestricted	<u>(10,062,701)</u>	<u>5,772,596</u>	<u>(4,290,105)</u>
<i>Total net position</i>	<u>56,889,625</u>	<u>27,679,204</u>	<u>84,568,829</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 80,634,803</u>	<u>\$ 34,976,709</u>	<u>\$ 115,611,512</u>

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

TOWN OF TAOS
Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 9,742,993	\$ 1,245,190	\$ 356,735	\$ -
Public safety	4,140,601	-	388,823	-
Public works	1,621,695	-	302,468	658,045
Culture and recreation	2,696,869	135,152	-	-
Interest	174,504	-	-	-
<i>Total governmental activities</i>	<u>18,376,662</u>	<u>1,380,342</u>	<u>1,048,026</u>	<u>658,045</u>
Business-type Activities:				
Water and Sewer	5,024,028	3,742,218	-	606,474
Solid Waste	166,124	93,834	-	-
Taos Regional Landfill	1,057,152	1,330,843	-	15,000
<i>Total business-type activities</i>	<u>6,247,304</u>	<u>5,166,895</u>	<u>-</u>	<u>621,474</u>
<i>Total</i>	<u>\$ 24,623,966</u>	<u>\$ 6,547,237</u>	<u>\$ 1,048,026</u>	<u>\$ 1,279,519</u>

General Revenues:

Taxes:

Gross receipts taxes

Property taxes, levied for general purposes

Gasoline, franchise and motor vehicle

Lodger's taxes

Investment income

Miscellaneous revenue

Total general revenues

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (8,141,068)	\$ -	\$ (8,141,068)
(3,751,778)	-	(3,751,778)
(661,182)	-	(661,182)
(2,561,717)	-	(2,561,717)
(174,504)	-	(174,504)
<u>(15,290,249)</u>	<u>-</u>	<u>(15,290,249)</u>
-	(675,336)	(675,336)
-	(72,290)	(72,290)
-	288,691	288,691
<u>-</u>	<u>(458,935)</u>	<u>(458,935)</u>
<u>(15,290,249)</u>	<u>(458,935)</u>	<u>(15,749,184)</u>
12,793,210	570,343	13,363,553
1,217,178	-	1,217,178
676,214	-	676,214
1,017,052	-	1,017,052
51,036	30,729	81,765
186,433	13,511	199,944
<u>15,941,123</u>	<u>614,583</u>	<u>16,555,706</u>
650,874	155,648	806,522
<u>56,238,751</u>	<u>27,523,556</u>	<u>83,762,307</u>
<u>\$ 56,889,625</u>	<u>\$ 27,679,204</u>	<u>\$ 84,568,829</u>

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

TOWN OF TAOS
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit B-1
Page 1 of 2

	General Fund	Capital Maintenance Operating Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 3,159,732	\$ 3,219,016	\$ 6,167,545	\$ 12,546,293
Investments	1,208,042	190,000	1,021,086	2,419,128
Receivables:				
Property taxes	226,845	-	-	226,845
Taxes receivable	1,683,540	-	354,867	2,038,407
Due from other governments	33,782	-	429,414	463,196
Inventory	274,199	-	29,121	303,320
Due from other funds	24,083	-	-	24,083
Total assets	\$ 6,610,223	\$ 3,409,016	\$ 8,002,033	\$ 18,021,272
Liabilities, deferred inflows of resources, and fund balances				
<i>Liabilities</i>				
Accounts payable	\$ 140,786	\$ 28,305	\$ 334,989	\$ 504,080
Accrued payroll	290,230	-	8,262	298,492
Deposits held in trust for others	-	-	5,103	5,103
Total liabilities	431,016	28,305	348,354	807,675
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	183,002	-	-	183,002
Total deferred inflows of resources	183,002	-	-	183,002
<i>Fund balances</i>				
Nonspendable:				
Inventory	274,199	-	29,121	303,320
Spendable:				
Restricted for:				
General government	-	-	165,035	165,035
Public safety	-	-	683,205	683,205
Culture and recreation	-	-	593,462	593,462
Transportation and roads	-	-	13,084	13,084
Capital improvements	-	-	1,900,842	1,900,842
Debt service	-	-	421,132	421,132
Committed to:				
General government	-	786,094	202,550	988,644
Public safety	-	115,953	9,828	125,781
Culture and recreation	-	-	33,328	33,328
Transportation and roads	-	-	1,110,575	1,110,575
Capital improvements	-	2,478,339	2,493,840	4,972,179
Minimum fund balance	3,336,738	-	-	3,336,738
Unassigned	2,385,268	325	(2,323)	2,383,270
Total fund balances	5,996,205	3,380,711	7,653,679	17,030,595
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,610,223	\$ 3,409,016	\$ 8,002,033	\$ 18,021,272

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

TOWN OF TAOS
 Reconciliation of the Balance Sheet to the Statement of Net Position
 Governmental Funds
 June 30, 2020

Exhibit B-1
 Page 2 of 2

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

Fund balances - total governmental funds	\$ 17,030,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	60,010,172
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	183,002
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows- pension	2,391,472
Deferred outflows- OPEB	211,887
Deferred inflows- pension	(1,050,397)
Deferred inflows- OPEB	(2,345,468)
Certain liabilities, including loans and bonds payable and related components, accrued interest, current and long-term portions of accrued compensated absences, and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Loans and bonds payable	(4,099,059)
Bond premiums	(23,614)
Accrued interest	(16,053)
Accrued compensated absences	(651,555)
Net pension liability	(11,221,739)
Net OPEB liability	(3,529,618)
<i>Net position of governmental activities</i>	<u>\$ 56,889,625</u>

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

TOWN OF TAOS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit B-2
Page 1 of 2

	General Fund	Capital Maintenance Operating Fund	Other Governmental Funds	Total
<i>Revenues</i>				
Taxes:				
Property	\$ 1,178,340	\$ -	\$ -	\$ 1,178,340
Gross receipts taxes	10,798,880	-	1,994,330	12,793,210
Gasoline, franchise, and motor vehicle	596,650	-	79,564	676,214
Lodger's tax	-	-	1,017,052	1,017,052
Intergovernmental:				
Federal operating grants	3,332	-	45,211	48,543
Federal capital grants	-	-	224,586	224,586
State operating grants	130,319	-	1,302,623	1,432,942
Charges for services	168,388	-	671,965	840,353
Licenses and fees	445,021	-	94,968	539,989
Investment income	33,728	-	17,308	51,036
Miscellaneous	70,195	4,557	111,681	186,433
<i>Total revenues</i>	<u>13,424,853</u>	<u>4,557</u>	<u>5,559,288</u>	<u>18,988,698</u>
<i>Expenditures</i>				
Current:				
General government	4,265,645	412,635	738,985	5,417,265
Public safety	3,230,363	-	310,338	3,540,701
Public works	1,007,773	-	226,469	1,234,242
Culture and recreation	1,506,433	-	1,040,621	2,547,054
Capital outlay	-	121,088	1,023,673	1,144,761
Debt service:				
Principal	-	-	802,381	802,381
Interest	-	-	181,327	181,327
<i>Total expenditures</i>	<u>10,010,214</u>	<u>533,723</u>	<u>4,323,794</u>	<u>14,867,731</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,414,639</u>	<u>(529,166)</u>	<u>1,235,494</u>	<u>4,120,967</u>
<i>Other financing sources (uses)</i>				
Transfers in	6,788,023	3,135,890	3,549,081	13,472,994
Transfers (out)	(10,492,459)	-	(2,980,535)	(13,472,994)
<i>Total other financing sources (uses)</i>	<u>(3,704,436)</u>	<u>3,135,890</u>	<u>568,546</u>	<u>-</u>
<i>Net change in fund balance</i>	(289,797)	2,606,724	1,804,040	4,120,967
<i>Fund balance - beginning of year</i>	<u>6,286,002</u>	<u>773,987</u>	<u>5,849,639</u>	<u>12,909,628</u>
<i>Fund balance - end of year</i>	<u>\$ 5,996,205</u>	<u>\$ 3,380,711</u>	<u>\$ 7,653,679</u>	<u>\$ 17,030,595</u>

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

TOWN OF TAOS

Exhibit B-2

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$	4,120,967
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay additions reported in capital outlay expenditures		1,144,761
Depreciation expense		(4,831,483)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in deferred inflows related to the property taxes receivable		38,838
<p>Governmental funds report Town pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense:</p>		
Town pension contributions subsequent to measurement date		537,274
Pension expense		(1,555,127)
Town OPEB contributions subsequent to measurement date		93,346
OPEB income		300,207
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(7,113)
Decrease in accrued interest		2,887
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Amortization of bond premiums		3,936
Principal payments on loans		802,381
		802,381
<i>Change in net position of governmental activities</i>	\$	<i>650,874</i>

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

TOWN OF TAOS

Exhibit C-1

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ 1,057,150	\$ 1,138,820	\$ 1,178,340	\$ 39,520
Gross receipts	9,177,386	10,840,506	10,798,880	(41,626)
Gasoline, franchise and motor vehicle	637,602	700,741	596,650	(104,091)
Intergovernmental:				
Federal operating grants	5,531	5,531	3,332	(2,199)
State operating grants	90,000	133,529	130,319	(3,210)
Charges for services	142,197	191,152	168,388	(22,764)
Licenses and fees	511,393	511,393	445,021	(66,372)
Investment income	37,204	37,204	33,728	(3,476)
Miscellaneous	87,125	87,125	70,195	(16,930)
<i>Total revenues</i>	<u>11,745,588</u>	<u>13,646,001</u>	<u>13,424,853</u>	<u>(221,148)</u>
<i>Expenditures</i>				
Current:				
General government	5,217,439	4,538,146	4,265,645	272,501
Public safety	3,673,281	3,121,804	3,230,363	(108,559)
Public works	1,184,710	989,949	1,007,773	(17,824)
Culture and recreation	1,829,536	1,470,664	1,506,433	(35,769)
<i>Total expenditures</i>	<u>11,904,966</u>	<u>10,120,563</u>	<u>10,010,214</u>	<u>110,349</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(159,378)</u>	<u>3,525,438</u>	<u>3,414,639</u>	<u>(110,799)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	352,732	208,806	-	(208,806)
Transfers in	4,817,620	6,788,023	6,788,023	-
Transfers (out)	(5,010,974)	(10,522,267)	(10,492,459)	29,808
<i>Total other financing sources (uses)</i>	<u>159,378</u>	<u>(3,525,438)</u>	<u>(3,704,436)</u>	<u>(178,998)</u>
<i>Net change in fund balance</i>	-	-	(289,797)	(289,797)
<i>Fund balance - beginning of year</i>	-	-	6,286,002	6,286,002
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,996,205</u>	<u>\$ 5,996,205</u>

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

TOWN OF TAOS
 Capital Maintenance Operating Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2020

Exhibit C-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
<i>Taxes:</i>				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline, franchise and motor vehicle	-	-	-	-
<i>Intergovernmental:</i>				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	4,557	4,557	-
<i>Total revenues</i>	<u>-</u>	<u>4,557</u>	<u>4,557</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	511,709	1,203,042	412,635	790,407
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	261,624	470,291	121,088	349,203
<i>Total expenditures</i>	<u>773,333</u>	<u>1,673,333</u>	<u>533,723</u>	<u>1,139,610</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(773,333)</u>	<u>(1,668,776)</u>	<u>(529,166)</u>	<u>1,139,610</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	773,333	(1,467,114)	-	1,467,114
Transfers in	-	3,135,890	3,135,890	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>773,333</u>	<u>1,668,776</u>	<u>3,135,890</u>	<u>1,467,114</u>
<i>Net change in fund balance</i>	-	-	2,606,724	2,606,724
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>773,987</u>	<u>773,987</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,380,711</u>	<u>\$ 3,380,711</u>

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

TOWN OF TAOS
Statement of Net Position
Proprietary Funds
June 30, 2020

	Water and Sewer	Solid Waste
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 3,999,018	\$ 567,784
Investments	1,347,360	249,100
Taxes receivable	81,854	-
Due from other governments	17,739	-
Customer receivables, net	710,016	4,730
Inventory	81,326	-
<i>Total current assets</i>	6,237,313	821,614
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	315,234	-
Restricted investments	-	-
Capital assets	47,781,967	1,134,674
Less: accumulated depreciation	(27,629,118)	(826,768)
<i>Total noncurrent assets</i>	20,468,083	307,906
<i>Total assets</i>	26,705,396	1,129,520
Deferred outflows of resources		
Deferred outflows- pension	121,490	36,636
Deferred outflows- OPEB	16,848	4,861
<i>Total deferred outflows of resources</i>	138,338	41,497
<i>Total assets and deferred outflows of resources</i>	\$ 26,843,734	\$ 1,171,017

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

Taos Regional Landfill	Total
\$ 1,639,245	\$ 6,206,047
-	1,596,460
-	81,854
15,000	32,739
130,695	845,441
-	81,326
<u>1,784,940</u>	<u>8,843,867</u>
1,251,501	1,566,735
75,400	75,400
6,876,274	55,792,915
<u>(3,056,840)</u>	<u>(31,512,726)</u>
<u>5,146,335</u>	<u>25,922,324</u>
<u>6,931,275</u>	<u>34,766,191</u>
47,451	205,577
<u>7,315</u>	<u>29,024</u>
<u>54,766</u>	<u>234,601</u>
<u>\$ 6,986,041</u>	<u>\$ 35,000,792</u>

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

TOWN OF TAOS
Statement of Net Position
Proprietary Funds
June 30, 2020

	Water and Sewer	Solid Waste
Liabilities		
<i>Current liabilities</i>		
Accounts payable	\$ 470,420	\$ 13,992
Accrued payroll	29,174	1,929
Accrued compensated absences	19,707	2,244
Due to other funds	16,074	-
Deposits held in trust for others	315,234	-
Accrued interest	60,057	-
Current maturity of bonds and loans payable	172,947	-
<i>Total current liabilities</i>	1,083,613	18,165
<i>Noncurrent liabilities</i>		
Accrued compensated absences	50,376	-
Bonds payable	1,468,600	-
Loans payable	1,140,117	-
Landfill closure and post-closure costs	-	-
Net pension liability	774,748	139,792
Net OPEB liability	271,432	78,313
<i>Total noncurrent liabilities</i>	3,705,273	218,105
<i>Total liabilities</i>	4,788,886	236,270
Deferred inflows of resources		
Deferred inflows- pension	71,541	31,035
Deferred inflows- OPEB	189,372	54,637
<i>Total deferred inflows of resources</i>	260,913	85,672
Net position		
Net investment in capital assets	17,371,185	307,906
Restricted for:		
Landfill	-	-
Unrestricted	4,422,750	541,169
<i>Total net position</i>	21,793,935	849,075
<i>Total liabilities and net position</i>	\$ 26,843,734	\$ 1,171,017

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

Taos Regional Landfill	Total
\$ 28,558	\$ 512,970
13,610	44,713
6,259	28,210
8,009	24,083
-	315,234
1,276	61,333
176,148	349,095
<u>233,860</u>	<u>1,335,638</u>
22,211	72,587
-	1,468,600
742,670	1,882,787
432,984	432,984
285,784	1,200,324
117,855	467,600
<u>1,601,504</u>	<u>5,524,882</u>
<u>1,835,364</u>	<u>6,860,520</u>
32,260	134,836
82,223	326,232
<u>114,483</u>	<u>461,068</u>
2,900,616	20,579,707
1,326,901	1,326,901
808,677	5,772,596
<u>5,036,194</u>	<u>27,679,204</u>
<u>\$ 6,986,041</u>	<u>\$ 35,000,792</u>

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

TOWN OF TAOS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Water and Sewer</u>	<u>Solid Waste</u>
<i>Operating revenues</i>		
Charges for services	\$ 3,742,218	\$ 93,834
<i>Total operating revenues</i>	<u>3,742,218</u>	<u>93,834</u>
<i>Operating expenses</i>		
Depreciation	1,681,050	56,239
Personnel services	800,033	60,072
Contractual services	1,071,532	-
Supplies and purchases	11,903	3,771
Maintenance and materials	174,454	21,728
Utilities	888,119	18,135
Non-capital equipment	163	-
Other costs	314,375	6,179
<i>Total operating expenses</i>	<u>4,941,629</u>	<u>166,124</u>
<i>Operating income (loss)</i>	<u>(1,199,411)</u>	<u>(72,290)</u>
<i>Non-operating revenues (expenses)</i>		
Gross receipts taxes	570,343	-
Interest expense	(82,399)	-
Investment income	25,648	-
Miscellaneous income	615	12,896
<i>Total non-operating revenues (expenses)</i>	<u>514,207</u>	<u>12,896</u>
<i>Income (loss) before contributions and transfers</i>	<u>(685,204)</u>	<u>(59,394)</u>
Capital grants	606,474	-
Transfers in	-	100,000
Transfers (out)	-	-
<i>Change in net position</i>	<u>(78,730)</u>	<u>40,606</u>
<i>Total net position, beginning of year</i>	<u>21,872,665</u>	<u>808,469</u>
<i>Total net position, end of year</i>	<u>\$ 21,793,935</u>	<u>\$ 849,075</u>

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

Taos Regional Landfill	Total
<u>\$ 1,330,843</u>	<u>\$ 5,166,895</u>
<u>1,330,843</u>	<u>5,166,895</u>
323,276	2,060,565
343,100	1,203,205
81,109	1,152,641
887	16,561
71,822	268,004
8,756	915,010
-	163
<u>209,206</u>	<u>529,760</u>
<u>1,038,156</u>	<u>6,145,909</u>
<u>292,687</u>	<u>(979,014)</u>
-	570,343
(18,996)	(101,395)
5,081	30,729
<u>-</u>	<u>13,511</u>
<u>(13,915)</u>	<u>513,188</u>
<u>278,772</u>	<u>(465,826)</u>
15,000	621,474
-	100,000
<u>(100,000)</u>	<u>(100,000)</u>
193,772	155,648
<u>4,842,422</u>	<u>27,523,556</u>
<u>\$ 5,036,194</u>	<u>\$ 27,679,204</u>

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

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TOWN OF TAOS
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit D-3

	Water and Sewer	Solid Waste	Taos Regional Landfill	Total
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$ 3,789,589	\$ 96,123	\$ 1,292,928	\$ 5,178,640
Cash payments to employees for services	(710,345)	(62,395)	(308,080)	(1,080,820)
Cash payments to suppliers for goods and services	(2,588,885)	(50,921)	(393,302)	(3,033,108)
<i>Net cash provided (used) by operating activities</i>	<u>490,359</u>	<u>(17,193)</u>	<u>591,546</u>	<u>1,064,712</u>
<i>Cash flows from noncapital financing activities:</i>				
Gross receipts taxes	570,343	-	-	570,343
Miscellaneous income	615	12,896	-	13,511
Landfill closure costs	-	-	23,619	23,619
Repayment of interfund loans	(534)	-	628	94
Transfers (net)	-	100,000	(100,000)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>570,424</u>	<u>112,896</u>	<u>(75,753)</u>	<u>607,567</u>
<i>Cash flows from investing activities:</i>				
Purchase of investments	2,421	-	-	2,421
Interest income	25,648	-	5,081	30,729
<i>Net cash provided by investing activities</i>	<u>28,069</u>	<u>-</u>	<u>5,081</u>	<u>33,150</u>
<i>Cash flows from capital and related financing activities:</i>				
Interest paid	(84,929)	-	(19,220)	(104,149)
Capital grants	606,474	-	15,000	621,474
Acquisition of capital assets	(1,262,347)	-	-	(1,262,347)
Principal payments on loans	(169,830)	-	(173,294)	(343,124)
<i>Net cash (used) by capital and related financing activities</i>	<u>(910,632)</u>	<u>-</u>	<u>(177,514)</u>	<u>(1,088,146)</u>
<i>Net increase in cash and cash equivalents</i>	178,220	95,703	343,360	617,283
<i>Cash and cash equivalents - beginning of year</i>	<u>4,136,032</u>	<u>472,081</u>	<u>2,547,386</u>	<u>7,155,499</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 4,314,252</u>	<u>\$ 567,784</u>	<u>\$ 2,890,746</u>	<u>\$ 7,772,782</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$(1,199,411)	\$ (72,290)	\$ 292,687	\$ (979,014)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>				
Depreciation	1,681,050	56,239	323,276	2,060,565
Net pension and OPEB expense	77,141	166	28,459	105,766
<i>Changes in assets and liabilities:</i>				
Receivables	36,832	2,289	(37,915)	1,206
Inventory	(26,608)	-	-	(26,608)
Accounts payable	(101,731)	(1,108)	(21,522)	(124,361)
Accrued payroll expenses	5,514	(2,333)	4,526	7,707
Customer deposits	10,539	-	-	10,539
Accrued compensated absences	7,033	(156)	2,035	8,912
<i>Net cash provided (used) by operating activities</i>	<u>\$ 490,359</u>	<u>\$ (17,193)</u>	<u>\$ 591,546</u>	<u>\$ 1,064,712</u>

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

TOWN OF TAOS
Statement of Fiduciary Net Position
June 30, 2020

Exhibit E-1

	<u>Custodial Funds</u>
Assets	
Cash	\$ 12,039
Investments	<u>60,000</u>
<i>Total assets</i>	<u><u>\$ 72,039</u></u>
Liabilities	
Due to other entities	<u>\$ 72,039</u>
<i>Total liabilities</i>	<u><u>\$ 72,039</u></u>

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

TOWN OF TAOS
Statement of Changes in Fiduciary Net Position
June 30, 2020

Exhibit E-2

Custodial Funds

<i>Additions:</i>	
Charges for services	\$ 7,253
<i>Total additions</i>	7,253
 <i>Deductions:</i>	
Contractual services and other	7,505
<i>Total deductions</i>	7,505
Change in custodial funds due to others	(252)
Beginning - custodial funds due to others	72,291
Ending - custodial funds due to others	\$ 72,039

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies

The Town of Taos (the Town) was incorporated in 1934. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities (water and sewer, solid waste, and landfill), health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

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

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

This summary of significant accounting policies of Town of Taos is presented to assist in the understanding of Town of Taos's financial statements. The financial statements and notes are the representation of Town of Taos's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. At year end June 30, 2020, there is no GASB Statement No. 77 disclosure requirement.

During the year ended June 30, 2020, the Town assessed GASB Statement No. 84's effect on its financial statements and management has determined this pronouncement has no impact on the Town. No other accounting pronouncements have materially impacted the Town's financial statements for the year end June 30, 2020.

A. Financial Reporting Entity

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

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

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

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

Based upon the application of these criteria, the Town has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

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

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

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Town reports its proprietary funds as major funds. Proprietary funds (enterprise funds) include:

The *Water and Sewer Fund* is used to account for the activities of the Town's water and sewer operations.

The *Solid Waste Fund* accounts for the provision of solid waste services to the residents of the Town and some residents of Taos County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

The *Taos Regional Landfill Fund* is used to account for the activities of the Taos Regional Landfill including debt repayments, closure and post-closure care estimates as well as operations and administration.

Additionally, the Town reports the following fund type:

The *Fiduciary Fund* is purely custodial (assets equal liabilities) and does not involve the measurement of results of operations. This fund accounts for assets held by the Town as a trustee for the judicial system bonds, street cut deposits, and recreational events.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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

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

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days after year end.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st. Property taxes are collected by Taos County and are remitted monthly to the Town.

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

Restricted Assets: Restricted assets consist of those funds’ expendable for debt service, meter deposits, and landfill purposes, which are restricted as to the specific purpose for which they may be expended. Restricted cash in the amount of \$1,944,753 and restricted investments in the amount of \$75,400, at June 30, 2020 are reported in the statement of net position.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Town of Taos was a phase II government for purposes of implementing GASB 34. Therefore, the Town was required to report its major general infrastructure assets retroactively to June 30, 1980. The Town has made the required restatement for infrastructure assets retroactive to June 30, 1980, in order to properly implement GASB 34. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated assets are recorded at fair market value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the Town during fiscal year 2020. No interest was included as part of the cost of capital assets under construction.

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

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2020, along with applicable PERA, FICA, RHC and Medicare accruals.

Deposits Held in Trust For Others: Deposits held in trust for others consists of security deposits for the Civic Center, street deposits, and meter deposits as of June 30, 2020.

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

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Town has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town has recorded \$183,002 related to property taxes that are considered “unavailable”. The Town also has items related to the pension and OPEB plans which are discussed at Notes 10 and 11.

Compensated Absences: The Town’s employees earn personal leave at a rate of 22 to 27 days per year based on years of service. Employees can carry over unused personal leave each year with a cap of 500 hours.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference is minimal. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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

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

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves. The Town has nonspendable fund balance of \$303,320 at June 30, 2020.

Restricted – This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants) grantors, contributors, or laws or regulations of other governments; (b) enabling legislation, as the term is used authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The Town has \$3,776,760 in restricted fund balances at June 30, 2020.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Committed – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the highest level of Authority, the Town Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The Town has \$7,230,507 in committed funds at June 30, 2020 for governmental, public safety, and capital expenditures.

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

Minimum Fund Balance Policy: The Town's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Town holds cash reserves of 1/12th the General Fund expenditures, however the Town has committed fund balance of 4/12th per Town Council. The Town has also presented committed fund balance on the governmental funds balance sheet including \$3,336,738 for minimum fund balance for the year ended June 30, 2021. As these amounts are an accumulation of resources and not a true restriction or commitment of expenditures, they are reflected within the unassigned fund balance of the general fund.

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

- a. Net Investment in Capital Assets: Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, and capital projects" are described on pages 102-104.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the Town include the depreciable lives of capital assets, estimated allowance for uncollectible accounts receivables, the Town's estimate landfill closure and post closure costs, and the Town's net pension and OPEB liabilities and related deferred inflows and outflows of resources.

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

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

Proprietary fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The Town does not budget for depreciation expense, only capital outlay. The budgetary information presented in these financial statements has been properly amended by Town Council in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures Operating income (loss)	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (159,378)	\$ 3,525,438
Capital Maintenance Operating Fund	\$ (773,333)	\$ (1,668,776)

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 3. Deposits and Investments

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2020. There are no specific state laws governing the ability to spend net appreciation and investment income.

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

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

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

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

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2020, \$19,476,776 of the Town's deposits of \$19,976,776 was exposed to custodial credit risk. \$13,362,235 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$6,114,541 was uninsured and uncollateralized.

	<u>US Bank</u>	<u>Centinel Bank</u>	<u>Total</u>
Amount of deposits	\$ 7,300,910	\$ 12,675,866	\$ 19,976,776
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>7,050,910</u>	<u>12,425,866</u>	<u>19,476,776</u>
Collateralized by securities held by pledging institution or by its trust department or agent in other than the Town's name	<u>7,050,910</u>	<u>6,311,325</u>	<u>13,362,235</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 6,114,541</u>	<u>\$ 6,114,541</u>
Collateral requirement (50% of uninsured funds)	\$ 3,525,455	\$ 6,212,933	\$ 9,738,388
Pledged Collateral	<u>10,000,000</u>	<u>6,311,325</u>	<u>16,311,325</u>
Over (Under) collateralized	<u>\$ 6,474,545</u>	<u>\$ 98,392</u>	<u>\$ 6,572,937</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 3. Deposits and Investments (continued)

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

Investments

Credit Risk

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

As of June 30, 2020, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New Mexico Local Government Investment Pool	25 Days (R); 77 Days (F)	\$ 4,150,988	AAAm
U.S. Treasury Notes	<1 year	544,151	Aaa
		<u>\$ 4,695,139</u>	

The Town has presented \$4,150,988 in investments at year end that is invested in the Local Government Investment Pool. Of the \$4,695,139 noted above \$544,151 is considered restricted cash and cash equivalents as these are invested by NMFA in US Treasury notes. For purposes of cash flows at Exhibit D-3 ending cash is considered to be cash and cash equivalents, restricted cash and cash equivalents.

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

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investments in the New Mexico LGIP and U.S Treasury Money Market Mutual Funds represent 88% and 12%, respectively, of the investment portfolio. Since the Town only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Town. The Town's policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 3. Deposits and Investments (continued)

Fair Value Measurement

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

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

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

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

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

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

The following table sets forth by level within the fair value hierarchy, the Town's assets at fair value as of June 30, 2019:

Total	Level 1	Level 2	Level 3
\$ 4,695,139	\$ -	\$ 4,695,139	\$ -

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 18,374,322
Restricted cash and cash equivalents per Exhibit A-1	1,944,753
Cash and investments - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	72,039
Investments per Exhibit A-1	4,015,588
Restricted investments per Exhibit A-1	<u>75,400</u>
Total cash, investments, and cash equivalents	<u>24,482,102</u>
Add: outstanding checks and other reconciling items	191,647
Less: NMFA restricted accounts	(544,151)
Less: New Mexico Government Local Investment Pool	(4,150,988)
Less: petty cash	<u>(1,834)</u>
Bank balance of deposits	<u><u>\$ 19,976,776</u></u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 4. Receivables

Governmental receivables as of June 30, 2020 are comprised of the following:

	General	Other Governmental Funds	Total
Property taxes	\$ 226,845	\$ -	\$ 226,845
Taxes receivable:			
Gross receipts taxes	1,582,397	287,812	1,870,209
Franchise taxes	76,878	-	76,878
Lodger's taxes	-	53,971	53,971
Oil and gas taxes	18,233	13,084	31,317
MVD taxes	6,032	-	6,032
Total taxes receivable	<u>1,683,540</u>	<u>354,867</u>	<u>2,038,407</u>
Due from other governments:			
State grants	33,782	369,303	403,085
Federal grants	-	60,111	60,111
Total due from other governments	<u>33,782</u>	<u>429,414</u>	<u>463,196</u>
Accounts receivable, net	<u>\$ 1,944,167</u>	<u>\$ 784,281</u>	<u>\$ 2,728,448</u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$183,002 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements as of June 30, 2020.

Business-type activity receivables as of June 30, 2020 are comprised of the following:

	Water and Sewer	Solid Waste	Taos Regional Landfill
Taxes receivable			
Gross receipts taxes	\$ 81,854	\$ -	\$ -
Customer receivable	1,455,232	57,332	148,180
Due from other governments:			
State grants	17,739	-	15,000
Less: allowance for uncollectable accounts	<u>(745,216)</u>	<u>(52,602)</u>	<u>(17,485)</u>
Accounts receivable, net	<u>\$ 809,609</u>	<u>\$ 4,730</u>	<u>\$ 145,695</u>
	Total		
Taxes receivable			
Gross receipts taxes	\$ 81,854		
Customer receivable	1,660,744		
Due from other governments:			
State grants	32,739		
Less: allowance for uncollectable accounts	<u>(815,303)</u>		
Accounts receivable, net	<u>\$ 960,034</u>		

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 5. Interfund Receivables, Payables, and Transfers

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

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
Water and Sewer Fund	General Fund	\$ 16,074
Taos Regional Landfill Fund	General Fund	8,009
Total		<u>\$ 24,083</u>

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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Fire Protection	2015 NMFA Fire Pumper Loan	\$ 75,094
Municipal Road Gasoline Tax	2011 PPRF Street Improvement	55,923
Municipal Road Gasoline Tax	1999 Gas Tax Fund	26,217
1/4 cent Municipal Gross Receipts Tax	2008 GRT Revenue Bond Retirement Fund	551,825
1/4 cent Municipal Gross Receipts Tax	2009 PPRF Disadvantaged Prog Eco Park	180,753
1/4 cent Municipal Gross Receipts Tax	Facilities Improvement Fund	190,000
1/4 cent Municipal Gross Receipts Tax	Vehicle Replacement Fund	204,192
2011 PPRF Street Improvement Reserve	General Fund	137,000
Capital Projects Fund	Vehicle Replacement Fund	69,205
Capital Projects Fund	1999 Gas Tax Fund	540,500
General Fund	Community Grants	47,000
Capital Projects Fund	Facilities Improvement Fund	51,500
General Fund	Airport Construction Fund	335,000
General Fund	Capital Maintenance Operating Fund	3,135,890
General Fund	Vehicle Replacement Fund	70,000
General Fund	General Fund	5,534,391
Lodger's Tax Fund	Lodger's Tax Promotional	828,262
Lodger's Tax Fund	Public Transportation	207,065
General Fund	2011 PPRF Street Improvement	116,546
General Fund	General Fund	1,116,631
Taos Regional Landfill	Solid Waste	100,000
Total		<u>\$ 13,572,994</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 6. Capital Assets

The following is a summary of capital assets and changes occurring during the year ended June 30, 2020. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 6,615,288	\$ -	\$ -	\$ 6,615,288
Construction in progress	497,237	378,448	15,651	860,034
Total not being depreciated	<u>7,112,525</u>	<u>378,448</u>	<u>15,651</u>	<u>7,475,322</u>
Capital assets being depreciated:				
Land improvements	7,461,945	50,080	(15,651)	7,527,676
Buildings and improvements	35,874,012	154,501	-	36,028,513
Machinery and Equipment	16,741,413	394,536	-	17,135,949
Infrastructure	84,673,698	167,196	-	84,840,894
Total being depreciated	<u>144,751,068</u>	<u>766,313</u>	<u>(15,651)</u>	<u>145,533,032</u>
Total capital assets	<u>151,863,593</u>	<u>1,144,761</u>	<u>-</u>	<u>153,008,354</u>
Accumulated depreciation:				
Land improvements	5,557,532	201,782	-	5,759,314
Buildings and improvements	21,130,443	1,088,339	-	22,218,782
Machinery and Equipment	14,331,622	498,306	-	14,829,928
Infrastructure	47,147,102	3,043,056	-	50,190,158
Total accumulated depreciation	<u>88,166,699</u>	<u>4,831,483</u>	<u>-</u>	<u>92,998,182</u>
Capital assets, net	<u>\$ 63,696,894</u>	<u>\$ (3,686,722)</u>	<u>\$ -</u>	<u>\$ 60,010,172</u>

Depreciation expense for the year ended June 30, 2020 was charged to the functions of the governmental activities as follows:

General	\$ 4,396,649
Public safety	96,631
Public works	338,203
Total	<u>\$ 4,831,483</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 6. Capital Assets (continued)

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions and Transfers</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 262,422	\$ -	\$ -	\$ 262,422
Construction in progress	976,376	1,126,972	-	2,103,348
Total not being depreciated	<u>1,238,798</u>	<u>1,126,972</u>	<u>-</u>	<u>2,365,770</u>
Capital assets being depreciated:				
Land improvements	104,895	-	-	104,895
Buildings and improvements	4,656,981	-	-	4,656,981
Machinery and Equipment	9,658,758	15,096	-	9,673,854
Infrastructure	38,871,138	120,279	-	38,991,417
Total being depreciated	<u>53,291,772</u>	<u>135,375</u>	<u>-</u>	<u>53,427,147</u>
Total capital assets	<u>54,530,570</u>	<u>1,262,347</u>	<u>-</u>	<u>55,792,917</u>
Accumulated depreciation:				
Land improvements	97,026	326	-	97,352
Buildings and improvements	3,171,133	134,882	-	3,306,015
Machinery and Equipment	8,310,379	295,072	-	8,605,451
Infrastructure	17,873,623	1,630,285	-	19,503,908
Total accumulated depreciation	<u>29,452,161</u>	<u>2,060,565</u>	<u>-</u>	<u>31,512,726</u>
Capital assets, net	<u>\$ 25,078,409</u>	<u>\$ (798,218)</u>	<u>\$ -</u>	<u>\$ 24,280,191</u>

Depreciation expense for the year ended June 30, 2020 was charged to the proprietary funds as follows:

Water and Sewer	\$ 1,681,050
Solid Waste	56,239
Taos Regional Landfill	323,276
Total	<u>\$ 2,060,565</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 7. Long-term Debt

During the year ended June 30, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Revenue Bonds	\$ 3,275,000	\$ -	\$ 415,000	\$ 2,860,000	\$ 430,000
NMFA Loans	1,626,440	-	387,381	1,239,059	398,774
Compensated Absences	644,442	267,756	260,643	651,555	260,643
Total	<u>\$ 5,545,882</u>	<u>\$ 267,756</u>	<u>\$ 1,063,024</u>	<u>\$ 4,750,614</u>	<u>\$ 1,089,417</u>

Revenue Bonds

At June 30, 2020, the Town had one revenue bond outstanding. For the Series 2008 Gross Receipts Tax Revenue Bonds, the Town pledged revenues from the State-Shared Gross Receipts Tax revenues. The revenue bonds are as follows:

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

The annual requirements to amortize the revenue bond as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 430,000	\$ 118,775	\$ 548,775
2022	450,000	101,145	551,145
2023	465,000	82,695	547,695
2024	485,000	63,630	548,630
2025	505,000	43,260	548,260
2026	525,000	22,050	547,050
Total	<u>\$ 2,860,000</u>	<u>\$ 431,555</u>	<u>\$ 3,291,555</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 7. Long-term Debt (continued)

NMFA Loans

The Town entered into three loan agreements with the New Mexico Finance Authority, wherein the Town pledged revenue derived from State-Shared Gross Receipts Tax and the Fire to cover debt service. Aside from the NMFA Fire Truck Pumper loan, this revenue is not subject to intercept agreements. The NMFA loans are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>
NMFA Phase I Multi-Phase Eco Park	11/25/2009	5/1/2025	.62-3.67%	\$ 2,213,469
NMFA Revolving Loan Fund				
Road Projects	11/4/2011	5/1/2022	1.90%	\$ 1,694,457
NMFA Fire Truck Pumper Loan	5/8/2015	5/1/2021	0.92%	\$ 434,994

The annual requirements to amortize the NMFA loans as of June 30, 2020, including interest payments, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 398,774	\$ 36,964	\$ 435,738
2022	334,977	28,099	363,076
2023	162,665	18,091	180,756
2024	168,293	12,463	180,756
2025	174,350	6,406	180,756
Total	<u>\$ 1,239,059</u>	<u>\$ 102,023</u>	<u>\$ 1,341,082</u>

Compensated Absences- Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2020, government-wide compensated absences increased \$7,113 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 7. Long-term Debt (continued)

Proprietary Funds:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2020:

Business-type Activities:	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due Within One Year
Revenue Bonds	\$ 1,597,600	\$ -	\$ 63,000	\$ 1,534,600	\$ 66,000
NMFA and RUS Loans	2,446,006	-	280,124	2,165,882	283,095
Landfill closure and postclosure	409,365	23,619	-	432,984	-
Compensated Absences	91,885	37,122	28,210	100,797	28,210
Total	<u>\$ 4,544,856</u>	<u>\$ 60,741</u>	<u>\$ 371,334</u>	<u>\$ 4,234,263</u>	<u>\$ 377,305</u>

Revenue Bonds

At June 30, 2020, the Town had the following revenue bonds outstanding:

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

The annual requirements to amortize the NMFA loans as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 66,000	\$ 79,254	\$ 145,254
2022	70,000	75,812	145,812
2023	73,000	72,164	145,164
2024	77,000	68,358	145,358
2025	81,000	64,346	145,346
2026-2030	473,000	253,782	726,782
2031-2035	527,600	118,828	646,428
2036-2039	167,000	15,142	182,142
Total	<u>\$ 1,534,600</u>	<u>\$ 747,686</u>	<u>\$ 2,282,286</u>

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 7. Long-term Debt (continued)

NMFA and USDA Loans

The Town entered into loan agreements with the New Mexico Finance Authority and USDA. These loans are not subject to intercept agreements. The loans are as follows:

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

The annual requirements to amortize the loans as of June 30, 2020, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2021	\$ 283,095	\$ 15,312	\$ 298,407
2022	286,596	12,108	298,704
2023	290,603	8,388	298,991
2024	295,021	4,272	299,293
2025	299,419	-	299,419
2026-2030	500,901	-	500,901
2031-2033	210,247	-	210,247
Total	\$ 2,165,882	\$ 40,080	\$ 2,205,962

Compensated Absences - Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2020, business-type compensated absences increased \$8,912 from the previous year accrual. Compensated absences are liquidated by the respective funds in which they are accrued

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 8. Risk Management

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

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following fund had a deficit fund balance for the year ended June 30, 2020:

Civic Center	\$(2,323)
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- B. Excess of expenditures over appropriations. There were no funds in which fund expenditures were in excess of the budgeted appropriations for the year ended June 30, 2020.
- C. Designated cash appropriations in excess of available balances. There were no funds with designated cash appropriation in excess of available balances for the year ended June 30, 2020.

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

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

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

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

TIER II

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

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

PERA Contribution Rates and Pension Factors in effect during FY19						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

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

PERA Fund Division Municipal General: At June 30, 2020, the Town reported a liability of \$7,066,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019.

There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Town's proportion was 0.4082 percent, which was an increase of 0.0554 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$780,209. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 315,085	\$ 17,404
Changes in proportion	551,063	707,156
Difference between expected and actual experience	211,862	76,442
Net difference between projected and actual earnings on pension plan investments	238,117	-
Town's contributions subsequent to the measurement date	350,621	-
Total	\$ 1,666,748	\$ 801,002

\$350,621 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2020	\$ 188,424
2021	7,173
2022	280,349
2023	39,177
Thereafter	-
Total	\$ 515,123

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

PERA Fund Division Municipal Police: At June 30, 2020, The Town reported a liability of \$3,722,153 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Town's proportion was 0.5039 percent, which was an decrease of 0.0061 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$643,492. At June 30, 2020, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 211,130	\$ 9,470
Changes in proportion	76,426	27,859
Difference between expected and actual experience	155,501	158,558
Net difference between projected and actual earnings on pension plan investments	116,232	-
Town's contributions subsequent to the measurement date	187,924	-
Total	\$ 747,213	\$ 195,887

\$187,924 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2020	\$ 144,730
2021	150,223
2022	49,374
2023	19,075
Thereafter	-
Total	\$ 363,402

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

PERA Fund Division Municipal Fire: At June 30, 2020, The Town reported a liability of \$1,633,562 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2019 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2019. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019.

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the Town's proportion was 0.2377 percent, which was a decrease of 0.0120 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$131,426. At June 30, 2020, The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions	\$ 44,819	\$ 2,585
Changes in proportion	159	134,137
Difference between expected and actual experience	27,744	51,622
Net difference between projected and actual earnings on pension plan investments	26,124	-
Town's contributions subsequent to the measurement date	84,242	-
Total	\$ 183,088	\$ 188,344

\$84,242 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pensions expense as follows:

Year ended June 30:	
2020	\$ (56,726)
2021	(33,082)
2022	(3,954)
2023	4,264
Thereafter	-
	\$ (89,498)

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA FUND	
Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Period	Level Percentage of Pay
Asset Valuation Method	Solved for based on statutory rates
Actuarial Assumptions:	
Investment Rate of Return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	3.00%
Projected Salary increases	3.25% to 13.50 annual rate
Includes Inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups..
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 actuarial valuation.

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	<u>1.30%</u>	
Total	100.00%	

Discount rate for the PERA Funds. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67.

Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Municipal General Division

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 10,687,426	\$ 7,066,348	\$ 4,070,392

PERA Fund Municipal Police Division

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 5,632,800	\$ 3,722,153	\$ 2,163,425

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

PERA Fund Municipal Fire Division

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 2,164,980	\$ 1,633,562	\$ 1,198,054

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

Payables to the pension plan. At June 30, 2020, the Town had payables to the plan in the amount of \$50,966.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

General Information about the OPEB

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

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

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

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	<u>91,082</u>
	<u>154,177</u>
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal FTRE	1,966
Educational Retirement Board	<u>49,492</u>
	<u>91,082</u>

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Town were \$106,685 for the year ended June 30, 2020.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

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

At June 30, 2020, the Town reported a liability of \$3,997,218 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2020, the Town's proportion was 0.12328 percent.

For the year ended June 30, 2020, the Town recognized OPEB income of \$343,106. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 1,005,902
Net difference between expected and actual investments on OPEB plan investments	-	37,164
Change of assumptions	-	1,290,107
Changes in proportion	134,226	338,527
Town's contributions subsequent to the measurement date	106,685	-
Total	\$ 240,911	\$ 2,671,700

Deferred outflows of resources totaling \$106,685 represent Town contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$	(668,696)
2021		(668,696)
2022		(588,547)
2023		(384,429)
2024		(227,108)

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

Actuarial assumptions. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.55% for PERA
Projected payroll increases	3.25% to 13.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2014 Combined Healthy Mortality

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

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

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

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

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2039. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2039, resulting in a blended discount rate of 4.16%.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
Town's proportionate share of the net OPEB liability	\$ 4,889,560	\$ 3,997,218	\$ 3,295,752

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

	Trend Rate Sensitivity Analysis		
	1% Decrease	Rate	1% Increase
Town's proportionate share of the net OPEB liability	\$ 3,327,941	\$ 3,997,218	\$ 4,533,067

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2020, the Town reported a payable of \$5,755 for outstanding contributions due to NMRHCA for the year ended June 30, 2020.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 12. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the Town place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs is \$432,984 as of June 30, 2020, which is based on 24 percent usage (filled) of the landfill. The estimate has remained unchanged from the prior year as no significant construction occurred or changes to the site conditions. The estimated total current cost of the landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2020. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In addition, the Town is required by State and Federal laws and regulations to make annual contributions to finance closure and post closure care. The Town is in compliance with these requirements, and at June 30, 2020 cash of \$1,251,501 and investments of \$75,400 is part of the pooled funds held by the Town and is presented as restricted cash on the statement of net position.

NOTE 13. Joint Powers Agreements

Salazar Property and Sports Facilities

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

Public Restroom Facility

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 13. Joint Powers Agreements (continued)

Enhanced 911-Response System

Participants	Town of Taos, County of Taos, Town of Questa, Village of Taos Ski Valley, Taos Pueblo
Responsible party	County of Taos
Description	Provide an answering point for information regarding needed emergency services
Term of agreement	October 19, 2017 until terminated
Amount of project	Estimated \$973,873 per year
Town contributions	None in Fiscal year 2018-2019
Audit responsibility	County of Taos

Taos Regional Landfill Board

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

NOTE 14. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. The Town is insured through the New Mexico Self Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Town.

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

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 15. Construction and Other Significant Commitments

The Town has committed to pay for several construction contracts that were not completed at June 30, 2020 in the amount of \$3,546,026 as follows:

Project Description	Amount Remaining	Contractor
Bureau of Reclamation - Abeyta Settlement Agreement	\$ 1,751,461	Daniel B. Stephens & Associates
Well 3 Replacement Design & Bid Package	125,014	Daniel B. Stephens & Associates
Technical Support related to Abeyta Water Rights	32,417	Daniel B. Stephens & Associates
Develop Airport Master Plan	339,255	Armstrong Consultants, Inc.
Design of Taxiway A and Associated Taxiways Taos Regic	25,280	Armstrong Consultants, Inc.
Terminal Building Conceptual Design	60,447	Armstrong Consultants, Inc.
Engineering for the Rehabilitation Runway 4/22	58,592	Armstrong Consultants, Inc.
Design & Redesign and Project Management of Reconstru	385,495	Armstrong Consultants, Inc.
Design of an Airport Hangar - General Aviation Hangars a	83,704	Armstrong Consultants, Inc.
Project Management to the WWTP Solar Array	56,474	Miller Engineers, Inc.
NM 68 Utility Relocation Engineering Design	23,995	Miller Engineers, Inc.
Environmental Services at Taos Regional Landfill 2019- 2020 Carryover	30,976	Miller Engineers, Inc.
Environmental Services at Taos Regional Landfill FY 2020-2021	88,882	Miller Engineers, Inc.
Prepare Application for Permit Renewal for Taos	84,315	Miller Engineers, Inc.
Tank Replacement and Well House Improvements	149,977	Miller Engineers, Inc.
Development of Landfill Cell 4B Engineering	126,175	Miller Engineers, Inc.
Engineering/R-O-W Services for Camino del Medio	72,795	Miller Engineers Inc.
Cordoba and Destino Lane Water Line Replacement -	39,585	Smith Engineering Company
Engineering Services for Metering Vault at Taos Pueblo Interconnection	11,187	Smith Engineering Company
Total	<u><u>\$ 3,546,026</u></u>	

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2020, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 11, 2020 which is the date on which the financial statements were issued. No issues were noted for disclosure at December 11, 2020.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 17. Concentrations

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

NOTE 18. Restricted Net Position

The government-wide statement of net position reports \$12,391,728 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, debt service, and capital projects funds see pages 45-46 and 102-104.

NOTE 19. Utility Revenues Pledged

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$635,600 in Series 1993A Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$367,600 and \$160,807, respectively. Principal and interest paid for the current year and total customer net revenues were \$40,746 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$1,315,000 in Series 1995A Water & Sewer Revenue Bonds, issued in 1995. The bonds are payable solely from utility customer net revenues and are payable through December 2035. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$838,000 and \$409,747, respectively. Principal and interest paid for the current year and total customer net revenues were \$77,636 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$475,000 in Series 1998A Water & Sewer Revenue Bonds, issued in 1999. The bonds are payable solely from utility customer net revenues and are payable through January 2038. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$329,000 and \$193,282, respectively. Principal and interest paid for the current year and total customer net revenues were \$27,150 and \$3,742,218, respectively.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 20. Utility Revenues Pledged (continued)

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$130,000 in NMFA/WTB Water Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through June 2029. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal remaining to be paid on the loan is \$60,121 with no interest due. Principal for the current year and total customer net revenues were \$6,597 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$600,000 in NMFA/WTB Water Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through June 2029. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal remaining to be paid on the loan is \$277,484 with no interest due. Principal for the current year and total customer net revenues were \$30,447 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$1,200,000 in NMED Clean Water State Revolving Fund Project, issued in 2009. The loans are payable solely from utility customer net revenues and are payable through January 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMED or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal remaining to be paid on the loan is \$780,000 with no interest due. Principal for the current year and total customer net revenues were \$60,000 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the Taos Wastewater project, net of operation and maintenance expenses, to repay \$197,390 in NMFA/WTB Water Project, issued in 2013. The loans are payable solely from utility customer net revenues and are payable through June 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal remaining to be paid on the loan is \$129,459 with no interest due. Principal for the current year and total customer net revenues were \$9,786 and \$3,742,218, respectively.

The Town of Taos has pledged future revenues from the New Cell for Landfill Facility, net of operation and maintenance expenses, to repay \$1,376,046 in NMFA loan issued 2015. The loans are payable solely from utility customer net revenues and are payable through June 2025. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement, including an amount sufficient to cure any deficiencies in the debt service account or the loan agreement reserve account, to the NMFA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the loan agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues.

TOWN OF TAOS
Notes to the Financial Statements
June 30, 2020

NOTE 20. Utility Revenues Pledged (continued)

The total principal and interest remaining to be paid on the loan is \$918,818 and \$40,080, respectively. Principal for the current year and total customer net revenues were \$173,294 and \$1,330,843, respectively. Interest for the current year was 18,000.

NOTE 21. Subsequent Accounting Pronouncements

In June 2017, GASB Statement No. 87 Leases, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Town does not expect this pronouncement to have a material effect on the financial statements.

In June 2018, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The standard will be implemented during the fiscal year ended June 30, 2021. The Town is still evaluating how this pronouncement will affect the financial statements.

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

In May 2020, GASB Statement No. 91, Conduit Debt Obligations, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The Town does not expect this pronouncement to have a material effect on the financial statements.

In January 2020, GASB Statement No. 92 Omnibus, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Town does not expect this pronouncement to have a material effect on the financial statements.

In March 2020, GASB Statement No. 93 Replacement of Interbank Offered Rates, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2021. The Town does not expect this pronouncement to have a material effect on the financial statements.

In March 2020, GASB Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2022. The Town does not expect this pronouncement to have a material effect on the financial statements.

In May 2020, GASB Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance, was issued. Effective Date: The provisions of this Statement are effective immediately for fiscal years beginning after December 15, 2021. The Town is still evaluating how this pronouncement will affect the financial statements.

In May 2020, GASB Statement No. 96 Subscription-Based Information Technology Arrangements, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2022. The Town does not expect this pronouncement to have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TAOS

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

	2020 Measurement Date (As of and for the year ended <u>June 30, 2019</u>)	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)
Town of Taos's proportion of the net pension liability	0.4082%	0.3528%
Town of Taos's proportionate share of the net pension liability	\$ 7,066,348	\$ 5,624,937
Town of Taos's covered payroll	\$ 3,606,337	\$ 3,793,609
Town of Taos's proportionate share of the net pension liability as a percentage	195.94%	148.27%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)	2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
0.4630%	0.4710%	0.5054%	0.5476%
\$ 6,362,011	\$ 7,524,994	\$ 5,152,991	\$ 4,271,868
\$ 3,909,077	\$ 4,069,174	\$ 4,513,593	\$ 4,457,324
162.75%	184.93%	114.17%	95.84%
73.74%	69.18%	76.99%	81.29%

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

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

	2020 Measurement Date (As of and for the year ended <u>June 30, 2019</u>)	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)
Town of Taos's proportion of the net pension liability	0.5039%	0.5100%
Town of Taos's proportionate share of the net pension liability	\$ 3,722,153	\$ 3,479,752
Town of Taos's covered payroll	\$ 1,120,723	\$ 1,020,869
Town of Taos's proportionate share of the net pension liability as a percentage	332.12%	340.86%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)	2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
0.4874%	0.4766%	0.4844%	0.4887%
\$ 2,707,827	\$ 3,516,497	\$ 2,329,267	\$ 1,593,109
\$ 911,949	\$ 953,345	\$ 949,833	\$ 937,534
296.93%	368.86%	245.23%	169.93%
73.74%	69.18%	76.99%	81.29%

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

TOWN OF TAOS

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

	2020 Measurement Date (As of and for the year ended <u>June 30, 2019</u>)	2019 Measurement Date (As of and for the year ended <u>June 30, 2018</u>)
Town of Taos's proportion of the net pension liability	0.2377%	0.2497%
Town of Taos's proportionate share of the net pension liability	\$ 1,633,562	\$ 1,598,237
Town of Taos's covered payroll	\$ 316,260	\$ 317,344
Town of Taos's proportionate share of the net pension liability as a percentage	516.53%	503.63%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)	2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
0.2753%	0.2784%	0.2769%	0.2567%
\$ 1,575,114	\$ 1,857,210	\$ 1,429,131	\$ 1,071,464
\$ 321,046	\$ 336,796	\$ 315,617	\$ 285,100
490.62%	551.43%	452.81%	375.82%
73.74%	69.18%	76.99%	81.29%

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

TOWN OF TAOS
Schedule of the Town's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal General Division
Last 10 Fiscal Years*

	As of and for the year ended <u>June 30, 2020</u>	As of and for the year ended <u>June 30, 2019</u>
Contractually required contribution	\$ 350,621	\$ 344,405
Contributions in relation to the contractually required contribution	<u>(350,621)</u>	<u>(344,405)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 3,676,714	\$ 3,606,337
Contributions as a percentage of covered payroll	9.54%	9.55%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 362,290	\$ 373,065	\$ 386,572	\$ 428,791
<u>(362,290)</u>	<u>(373,065)</u>	<u>(386,572)</u>	<u>(428,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,793,609	\$ 3,909,077	\$ 4,069,174	\$ 4,513,593
9.55%	9.54%	9.50%	9.50%

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

TOWN OF TAOS
Schedule of the Town's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Police Division
Last 10 Fiscal Years*

	As of and for the year ended <u>June 30, 2020</u>	As of and for the year ended <u>June 30, 2019</u>
Contractually required contribution	\$ 187,924	\$ 211,817
Contributions in relation to the contractually required contribution	<u>(187,924)</u>	<u>(211,817)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 994,304	\$ 1,120,723
Contributions as a percentage of covered payroll	18.90%	18.90%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 192,944	\$ 161,795	\$ 169,123	\$ 168,500
<u>(192,944)</u>	<u>(161,795)</u>	<u>(169,123)</u>	<u>(168,500)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,020,869	\$ 911,949	\$ 953,345	\$ 949,833
18.90%	17.74%	17.74%	17.74%

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

TOWN OF TAOS
Schedule of the Town's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Fire Division
Last 10 Fiscal Years*

	As of and for the year ended <u>June 30, 2020</u>	As of and for the year ended <u>June 30, 2019</u>
Contractually required contribution	\$ 84,242	\$ 68,470
Contributions in relation to the contractually required contribution	<u>(84,242)</u>	<u>(68,470)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	\$ 389,109	\$ 316,260
Contributions as a percentage of covered payroll	21.65%	21.65%

* Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of the information is available. Complete information for Town of Taos is not available prior to fiscal year 2015, the year the statement requirements became effective.

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

As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017	As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 68,705	\$ 69,503	\$ 72,748	\$ 68,173
<u>(68,705)</u>	<u>(69,503)</u>	<u>(72,748)</u>	<u>(68,173)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 317,344	\$ 321,046	\$ 336,796	\$ 315,617
21.65%	21.65%	21.60%	21.60%

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

TOWN OF TAOS
Notes to Required Supplementary Information
For the Year Ended June 30, 2020

PERA

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

Assumptions: The Public Employee Retirement Association of New Mexico Annual Actuarial Valuations as of June 2019 report is available at <http://www.nmpera.org/>

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

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TOWN OF TAOS
Schedule of Proportionate Share of the Net OPEB Liability
Retiree Health Care OPEB Plan
Last 10 Fiscal Years*

Schedule B-1

	2020	2019	2018
	Measurement	Measurement	Measurement
	Date (As of and	Date (As of and	Date (As of and
	for the Year	for the Year	for the Year
	Ended June 30,	Ended June 30,	Ended June 30,
	2019)	2018)	2017)
Town of Taos's proportion of the net OPEB liability (asset)	0.12328%	0.13080%	0.12709%
Town of Taos's proportionate share of the net OPEB liability (asset)	\$ 3,997,218	\$ 5,687,649	\$ 5,759,303
Town of Taos's covered payroll	5,111,405	5,250,703	5,294,121
Town of Taos's proportionate share of the net OPEB liability as a percentage of its covered payroll	78.20%	108.32%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for available years.

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

TOWN OF TAOS
Schedule of Contributions
Retiree Health Care OPEB Plan
Last 10 Fiscal Years*

Schedule B-2

	As of and for the Year Ended June 30, 2020	As of and for the Year Ended June 30, 2019	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 106,685	\$ 109,126	\$ 111,708
Contributions in relation to the contractually required contribution	<u>106,685</u>	<u>109,126</u>	<u>111,708</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Taos's covered payroll	5,003,183	5,111,405	5,250,703
Contribution as a percentage of covered payroll	2.13%	2.13%	2.13%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Town of Taos will present information for available years.

Notes to Required Supplementary Information

RHC Plan

In the June 30, 2019 actuarial valuation, changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

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

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SUPPLEMENTARY INFORMATION

TOWN OF TAOS
Nonmajor Fund Descriptions
June 30, 2020

Special Revenue Funds

Fire Protection – To account for the operations and maintenance of the fire department. Financing is provided by an allotment from the State of New Mexico Fire Marshall’s Office. State Statute Section 59A-53-2, NMSA, 1978 compilation, requires the allotment be used only to operate fire departments.

Recreation – To account for establishing and maintaining recreational programs in the Town. Financing is provided by program revenue.

Lodgers’ Tax Special Revenue Fund – To account for the operations of tourist facilities or for half of advertising, promoting and publicizing such facilities and tourist attractions. Financing is provided by one and a half percent of a five percent tax on lodging gross receipts within the Town of Taos. State Statute Section 4-6-41 provides for this tax to be imposed by the Town. Revenues received are pursuant to the Lodgers Tax Act (Section 3- 38-15, NMSA 1978). Monies in the Lodgers Tax Fund may be used to build, operate, and maintain tourism related facilities.

Local Government Correction – The local government corrections fee fund is used to account for the collection of a mandatory correction fee for violations of any municipal ordinance. Funds collected can only be used for jailer training, construction planning, construction, operation and maintenance of a municipal jail, and for paying for costs of housing. Authority is NMSA 1978 Section 35-14-11B(1).

Law Enforcement Protection – The law enforcement protection fund was created to account for revenues received pursuant to the law enforcement protection fund (Section 29-13-7, NMSA 1978). Amounts distributed from this fund may only be expended for the following purposes: (1) the repair and purchase of law enforcement apparatus and equipment that meet nationally recognized standards; (2) expenses associated with advanced law enforcement planning and training; (3) complying with match or contribution requirements of federal funds for criminal justice programs; (4) no more than fifty percent (50%) of the replacement salaries of municipal and county law enforcement personnel while attending a specified advanced law enforcement planning and training.

Civic Center – To account for that portion of lodgers tax receipts allocated for Civic Center operations and promotional expenditures, as well as the revenues earned from Civic Center operations, including rentals, catering fees, and related charges for services. Authority is Town Council resolution.

Public Transportation – To account for the portion of Lodgers Tax receipts allocated for the purpose of providing transportation to the public. Authority is Town Council resolution.

Community Grants – To account for various small grants for various community purposes. Each grant is authorized by the granting agency. The fund is authorized by Town Council resolution.

Municipal Road Gasoline Tax – To account for a 1 cent gasoline tax that is used for repairing and construction of roads. Also included in this fund is revenue from the State Department of Transportation under a municipal arterial project agreement. Authority is 7-7-6.9 and 7-1-6.27 NMSA 1978.

1/4 Cent Municipal Gross Receipts Tax – To account for proceeds from a supplemental municipal gross receipts tax, a portion of which is pledged toward payment of principal and interest on Gross Receipts Tax Revenue Bonds. After required debt service transfers have been made, the remaining income of this fund is restricted for capital improvement purposes. NMSA 1978 Chapter 7, Article 20E-1 to 22.

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

TOWN OF TAOS
Nonmajor Fund Descriptions
June 30, 2020

Special Revenue Funds (continued)

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

Capital Projects Fund

Facilities Improvements – This fund was created to receive transfers from other funds for the purpose of improving facilities of the Town. Authority is Town Council resolution.

Capital Projects – This fund was created to accumulate revenue and other financing sources for the purpose of financing general-purpose capital projects. Authority is Town Council resolution.

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

Vehicle Replacement – This fund was created to receive transfers from other funds for the purpose of purchasing vehicles for the Town of Taos. Authority is Town Council resolution.

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

1994 Gross Receipts Tax Revenue Bond Acquisition – This fund was created to receive the 1994 Gross Receipts Tax Bond proceeds for the purpose of construction of affordable housing. Authority is Town Council resolution.

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

Debt Service Funds

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

2009 NMFA PPRF Disadvantage Program- Eco Park – This fund was created for the purpose of constructing phase I of a multi-phased recreation park. The repayment under the loan agreement is solely from the first and second increments of municipal infrastructure gross receipts tax pursuant to section 7-19D-11, NMSA 1978.

2008 Gross Receipts Tax Revenue Bond Retirement – This fund was created for the purpose of repayment of the bond issue from the 1.225% distribution of State Shared Gross Receipts Tax revenues. Authority is Town Council resolution.

NMFA Debt Service Reserve Eco Park – This fund was created to be credited with transfers from the General Fund for the purpose of accumulating monies for payment of principal and interest on the debt for repayment of Eco Park. Authority is Town Council resolution.

TOWN OF TAOS
Nonmajor Fund Descriptions
June 30, 2020

Debt Service Funds (continued)

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

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

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

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TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	Special Revenue			
	Fire Protection	Recreation	Lodgers' Tax Special Revenue Fund	Local Governmental Correction
<i>Assets</i>				
Cash and cash equivalents	\$ 409,073	\$ 445	\$ 572,353	\$ 62,784
Investments	223,258	-	-	-
Receivables:				
Taxes receivable	-	-	53,971	-
Due from other governments	-	-	-	-
Inventory	-	-	29,121	-
<i>Total assets</i>	\$ 632,331	\$ 445	\$ 655,445	\$ 62,784
<i>Liabilities</i>				
Accounts payable	\$ 8,385	\$ -	\$ 25,045	\$ 3,525
Accrued payroll expenses	-	-	8,262	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	8,385	-	33,307	3,525
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	29,121	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	623,946	-	-	59,259
Culture and recreation	-	445	593,017	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	623,946	445	622,138	59,259
<i>Total liabilities and fund balances</i>	\$ 632,331	\$ 445	\$ 655,445	\$ 62,784

See independent auditors' report.

Special Revenue

Law Enforcement Protection	Civic Center	Public Transportation	Community Grants	Municipal Road Gasoline Tax
\$ 1,666	\$ 780	\$ 900,575	\$ 150,205	\$ -
-	2,000	210,000	50,000	-
-	-	-	-	13,084
-	-	-	3,182	-
-	-	-	-	-
<u>\$ 1,666</u>	<u>\$ 2,780</u>	<u>\$ 1,110,575</u>	<u>\$ 203,387</u>	<u>\$ 13,084</u>
\$ 1,666	\$ -	\$ -	\$ 837	\$ -
-	-	-	-	-
-	5,103	-	-	-
<u>1,666</u>	<u>5,103</u>	<u>-</u>	<u>837</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	13,084
-	-	-	-	-
-	-	-	202,550	-
-	-	-	-	-
-	-	1,110,575	-	-
-	-	-	-	-
-	(2,323)	-	-	-
<u>-</u>	<u>(2,323)</u>	<u>1,110,575</u>	<u>202,550</u>	<u>13,084</u>
<u>\$ 1,666</u>	<u>\$ 2,780</u>	<u>\$ 1,110,575</u>	<u>\$ 203,387</u>	<u>\$ 13,084</u>

See independent auditors' report.

TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>1/4 Cent Municipal Gross Receipts Tax</u>	<u>Historical District</u>	<u>Confidential Informant</u>	<u>Facilities Improvements</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1	\$ 33,328	\$ 9,828	\$ 970,539
Investments	-	-	-	-
Receivables:				
Taxes receivable	165,034	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 165,035</u>	<u>\$ 33,328</u>	<u>\$ 9,828</u>	<u>\$ 970,539</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 91,276
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,276</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
General government	165,035	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Debt service	-	-	-	-
Committed to:				
General government	-	-	-	-
Public safety	-	-	9,828	-
Culture and recreation	-	33,328	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	879,263
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>165,035</u>	<u>33,328</u>	<u>9,828</u>	<u>879,263</u>
<i>Total liabilities and fund balances</i>	<u>\$ 165,035</u>	<u>\$ 33,328</u>	<u>\$ 9,828</u>	<u>\$ 970,539</u>

See independent auditors' report.

Capital Projects

Capital Projects	Airport Construction Capital Projects Fund	Vehicle Replacement	Special Events Enterprise	1994 Gross Receipts Tax Revenue Bond Acquisition
\$ 624,262	\$ 263,212	\$ 381,828	\$ 146,848	\$ 95,617
4,031	-	-	-	430,373
122,778	-	-	-	-
-	372,237	50,000	3,995	-
-	-	-	-	-
<u>\$ 751,071</u>	<u>\$ 635,449</u>	<u>\$ 431,828</u>	<u>\$ 150,843</u>	<u>\$ 525,990</u>
\$ -	\$ 200,205	\$ 3,566	\$ -	\$ 200
-	-	-	-	-
-	-	-	-	-
-	200,205	3,566	-	200
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	150,843	525,790
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
751,071	435,244	428,262	-	-
-	-	-	-	-
<u>751,071</u>	<u>435,244</u>	<u>428,262</u>	<u>150,843</u>	<u>525,790</u>
<u>\$ 751,071</u>	<u>\$ 635,449</u>	<u>\$ 431,828</u>	<u>\$ 150,843</u>	<u>\$ 525,990</u>

See independent auditors' report.

TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2020

	<u>Capital Projects</u>		<u>Debt Service</u>	
	<u>1999 Gasoline Tax Acquisition Debt Service Fund</u>	<u>2015 NMFA Fire Pumper</u>	<u>2009 NMFA PPRF Disadvantage Program- Eco Park</u>	<u>2008 Gross Receipts Tax Revenue Bond Retirement</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,123,069	\$ -	\$ 205	\$ 1,951
Investments	101,424	-	-	-
Receivables:				
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 1,224,493</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 1,951</u>
<i>Liabilities</i>				
Accounts payable	\$ 284	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deposits held in trust for others	-	-	-	-
<i>Total liabilities</i>	<u>284</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	1,224,209	-	-	-
Debt service	-	-	205	1,951
Committed to:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,224,209</u>	<u>-</u>	<u>205</u>	<u>1,951</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,224,493</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 1,951</u>

See independent auditors' report.

Debt Service

NMFA Debt Service Reserve Eco Park	2007 NMFA Land Purchase	2011 PPRF Street Improvement	2011 PPRF Street Improvement Reserve	Total Nonmajor Governmental Funds
\$ 201,890	\$ -	\$ 40,958	\$ 176,128	\$ 6,167,545
-	-	-	-	1,021,086
-	-	-	-	354,867
-	-	-	-	429,414
-	-	-	-	29,121
\$ 201,890	\$ -	\$ 40,958	\$ 176,128	\$ 8,002,033
\$ -	\$ -	\$ -	\$ -	\$ 334,989
-	-	-	-	8,262
-	-	-	-	5,103
-	-	-	-	348,354
-	-	-	-	29,121
-	-	-	-	165,035
-	-	-	-	683,205
-	-	-	-	593,462
-	-	-	-	13,084
-	-	-	-	1,900,842
201,890	-	40,958	176,128	421,132
-	-	-	-	202,550
-	-	-	-	9,828
-	-	-	-	33,328
-	-	-	-	1,110,575
-	-	-	-	2,493,840
-	-	-	-	(2,323)
201,890	-	40,958	176,128	7,653,679
\$ 201,890	\$ -	\$ 40,958	\$ 176,128	\$ 8,002,033

See independent auditors' report.

TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2020

	Special Revenue			
	Fire Protection	Recreation	Lodgers' Tax Special Revenue Fund	Local Governmental Correction
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	1,017,052	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	353,103	-	-	-
Charges for services	-	-	75,962	59,190
Licenses and fees	-	-	30	14,387
Investment income	820	-	-	-
Miscellaneous	-	-	6,000	-
<i>Total revenues</i>	353,923	-	1,099,044	73,577
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	209,366	-	-	53,138
Public works	-	-	-	-
Culture and recreation	-	13,439	920,493	-
Capital outlay	74,284	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	283,650	13,439	920,493	53,138
<i>Excess (deficiency) of revenues over expenditures</i>	70,273	(13,439)	178,551	20,439
<i>Other financing sources (uses)</i>				
Transfers in	-	-	828,262	-
Transfers (out)	(75,094)	-	(1,035,327)	-
<i>Total other financing sources (uses)</i>	(75,094)	-	(207,065)	-
<i>Net change in fund balances</i>	(4,821)	(13,439)	(28,514)	20,439
<i>Fund balances - beginning of year</i>	628,767	13,884	650,652	38,820
<i>Fund balances - end of year</i>	\$ 623,946	\$ 445	\$ 622,138	\$ 59,259

See independent auditors' report.

Special Revenue

Law Enforcement Protection	Civic Center	Public Transportation	Community Grants	Municipal Road Gasoline Tax
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	79,564
-	-	-	-	-
-	-	-	45,211	-
-	-	-	-	-
33,800	-	-	139,793	-
-	-	200,000	-	-
-	-	-	-	-
-	-	-	-	-
<u>33,800</u>	<u>-</u>	<u>200,000</u>	<u>185,004</u>	<u>79,564</u>
-	-	-	151,378	-
33,800	-	-	-	-
-	-	200,000	-	-
-	-	20,000	-	-
-	-	-	-	-
-	-	-	-	-
<u>33,800</u>	<u>-</u>	<u>220,000</u>	<u>151,378</u>	<u>-</u>
-	-	(20,000)	33,626	79,564
-	-	207,065	47,000	-
-	-	-	-	(82,140)
<u>-</u>	<u>-</u>	<u>207,065</u>	<u>47,000</u>	<u>(82,140)</u>
-	-	187,065	80,626	(2,576)
-	(2,323)	923,510	121,924	15,660
<u>\$ -</u>	<u>\$ (2,323)</u>	<u>\$ 1,110,575</u>	<u>\$ 202,550</u>	<u>\$ 13,084</u>

See independent auditors' report.

TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2020

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>1/4 Cent Municipal Gross Receipts Tax</u>	<u>Historical District</u>	<u>Confidential Informant</u>	<u>Facilities Improvements</u>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ 1,138,828	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	80,551	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	79,736
<i>Total revenues</i>	<u>1,138,828</u>	<u>80,551</u>	<u>-</u>	<u>79,736</u>
<i>Expenditures</i>				
Current:				
General government	19,804	-	-	-
Public safety	-	-	-	14,034
Public works	-	-	-	-
Culture and recreation	-	86,689	-	-
Capital outlay	-	-	-	225,466
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,804</u>	<u>86,689</u>	<u>-</u>	<u>239,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,119,024</u>	<u>(6,138)</u>	<u>-</u>	<u>(159,764)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	241,500
Transfers (out)	(1,126,769)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,126,769)</u>	<u>-</u>	<u>-</u>	<u>241,500</u>
<i>Net change in fund balances</i>	(7,745)	(6,138)	-	81,736
<i>Fund balances - beginning of year</i>	<u>172,780</u>	<u>39,466</u>	<u>9,828</u>	<u>797,527</u>
<i>Fund balances - end of year</i>	<u>\$ 165,035</u>	<u>\$ 33,328</u>	<u>\$ 9,828</u>	<u>\$ 879,263</u>

See independent auditors' report.

Capital Projects

Capital Projects	Airport Construction Capital Projects Fund	Vehicle Replacement	Special Events Enterprise	1994 Gross Receipts Tax Revenue Bond Acquisition
\$ 855,502	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	224,586	-	-	-
-	735,927	-	-	40,000
-	-	-	325,513	11,300
-	-	-	-	-
-	(4)	-	-	6,418
-	-	-	-	-
<u>855,502</u>	<u>960,509</u>	<u>-</u>	<u>325,513</u>	<u>57,718</u>
-	267,746	-	246,004	53,906
-	-	-	-	-
22,903	-	3,566	-	-
-	-	-	-	-
-	720,155	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>22,903</u>	<u>987,901</u>	<u>3,566</u>	<u>246,004</u>	<u>53,906</u>
<u>832,599</u>	<u>(27,392)</u>	<u>(3,566)</u>	<u>79,509</u>	<u>3,812</u>
-	335,000	343,396	-	-
(661,205)	-	-	-	-
<u>(661,205)</u>	<u>335,000</u>	<u>343,396</u>	<u>-</u>	<u>-</u>
171,394	307,608	339,830	79,509	3,812
<u>579,677</u>	<u>127,636</u>	<u>88,432</u>	<u>71,334</u>	<u>521,978</u>
<u>\$ 751,071</u>	<u>\$ 435,244</u>	<u>\$ 428,262</u>	<u>\$ 150,843</u>	<u>\$ 525,790</u>

See independent auditors' report.

TOWN OF TAOS
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2020

	<u>Capital Projects</u>	<u>Debt Service Fund</u>		
	1999 Gasoline Tax Acquisition Debt Service Fund	2015 NMFA Fire Pumper	2009 NMFA PPRF Disadvantage Program- Eco Park	2008 Gross Receipts Tax Revenue Bond Retirement
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Lodgers tax	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,487	-	-	-
Miscellaneous	25,945	-	-	-
<i>Total revenues</i>	<u>27,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	147	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	3,768	-	-	-
Debt service:				
Principal	-	73,823	148,328	415,000
Interest	-	1,124	32,428	135,375
<i>Total expenditures</i>	<u>3,768</u>	<u>75,094</u>	<u>180,756</u>	<u>550,375</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>23,664</u>	<u>(75,094)</u>	<u>(180,756)</u>	<u>(550,375)</u>
<i>Other financing sources (uses)</i>				
Transfers in	566,717	75,094	180,753	551,825
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>566,717</u>	<u>75,094</u>	<u>180,753</u>	<u>551,825</u>
<i>Net change in fund balances</i>	590,381	-	(3)	1,450
<i>Fund balances - beginning of year</i>	<u>633,828</u>	<u>-</u>	<u>208</u>	<u>501</u>
<i>Fund balances - end of year</i>	<u>\$ 1,224,209</u>	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 1,951</u>

See independent auditors' report.

Debt Service Fund

NMFA Debt Service Reserve Eco Park	2007 NMFA Land Purchase	2011 PPRF Street Improvement	2011 PPRF Street Improvement Reserve	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,994,330
-	-	-	-	79,564
-	-	-	-	1,017,052
-	-	-	-	45,211
-	-	-	-	224,586
-	-	-	-	1,302,623
-	-	-	-	671,965
-	-	-	-	94,968
4,383	-	1,198	3,006	17,308
-	-	-	-	111,681
<u>4,383</u>	<u>-</u>	<u>1,198</u>	<u>3,006</u>	<u>5,559,288</u>
-	-	-	-	738,985
-	-	-	-	310,338
-	-	-	-	226,469
-	-	-	-	1,040,621
-	-	-	-	1,023,673
-	-	165,230	-	802,381
-	-	12,400	-	181,327
-	-	<u>177,630</u>	<u>-</u>	<u>4,323,794</u>
<u>4,383</u>	<u>-</u>	<u>(176,432)</u>	<u>3,006</u>	<u>1,235,494</u>
-	-	172,469	-	3,549,081
-	-	-	-	(2,980,535)
-	-	<u>172,469</u>	<u>-</u>	<u>568,546</u>
4,383	-	(3,963)	3,006	1,804,040
<u>197,507</u>	<u>-</u>	<u>44,921</u>	<u>173,122</u>	<u>5,849,639</u>
<u>\$ 201,890</u>	<u>\$ -</u>	<u>\$ 40,958</u>	<u>\$ 176,128</u>	<u>\$ 7,653,679</u>

See independent auditors' report.

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SUPPORTING SCHEDULES

TOWN OF TAOS
Schedule of Deposit and Investment Accounts
June 30, 2020

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
US Bank					
Clearing Account	Checking	\$ 209,833	\$ 284,731	\$ 494,561	\$ 3
Judicial Bond Fund Municipal Court	Checking	3,072	-	-	3,072
Water & Sewer System Income Fund	Checking	7,088,005	60,721	40,096	7,108,630
<i>Total US Bank</i>		<u>7,300,910</u>	<u>345,452</u>	<u>534,657</u>	<u>7,111,705</u>
Centinel Bank					
General Fund	Checking	12,068,905	2,352	-	12,071,257
1994 GRT Revenue Bond Acquisition Fund	Checking	95,268	501	152	95,617
HUD Account- Domestic Violence	Checking	-	-	-	-
Water Wastewater Improvements Fund	Checking	468,518	-	5,143	463,375
ACH Transfer Account	Checking	43,168	-	-	43,168
Payroll Clearing	Checking	7	-	-	7
<i>Total Centinel Bank</i>		<u>12,675,866</u>	<u>2,853</u>	<u>5,295</u>	<u>12,673,424</u>
<i>Bank balance of deposits</i>		<u>\$ 19,976,776</u>	<u>\$ 348,305</u>	<u>\$ 539,952</u>	<u>\$ 19,785,129</u>
New Mexico Finance Authority-Investment					
Taos 33 - Debt Service Funds		\$ 13,973	\$ -	\$ -	\$ 13,973
Taos 33 - Debt Service Reserve Funds		187,917	-	-	187,917
Taos 41 - Debt Service Funds		12,513	-	-	12,513
Taos 41- Debt Service Reserve Funds		176,128	-	-	176,128
Taos 48 - Debt Service Funds		967	-	-	967
Taos 49 - Debt Service Funds		9,600	-	-	9,600
Taos 49 - Debt Service Reserve Funds Funds		143,056	-	-	143,056
<i>Total New Mexico Finance Authority</i>		<u>544,154</u>	<u>-</u>	<u>-</u>	<u>544,154</u>

*All checking accounts are non-interest bearing

See independent auditors' report.

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<i>Total investments</i>		\$ 544,154	\$ -	\$ -	\$ 544,154
<i>Total</i>		<u>\$ 20,520,930</u>	<u>\$ 348,305</u>	<u>\$ 539,952</u>	<u>20,329,283</u>
Add: New Mexico State Treasurer Local Government Investment Pool					4,150,985
Add: petty cash					<u>1,834</u>
<i>Total deposits and investments</i>					<u>\$ 24,482,102</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 18,374,322
Investments - Exhibit A-1					4,015,588
Restricted cash and cash equivalents - Exhibit A-1					1,944,753
Restricted investments - Exhibit A-1					75,400
Fiduciary funds cash - Exhibit E-1					12,039
Investments - Exhibit E-1					<u>60,000</u>
<i>Total cash, cash equivalents, and investments</i>					<u>\$ 24,482,102</u>

See independent auditors' report.

TOWN OF TAOS
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2020

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2020
US Bank				
	FHLB	N/A	LOC NO. 551428	\$ 10,000,000
<i>Total US Bank</i>				<u>10,000,000</u>

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

Centinel Bank				
	Clovis SD 3.00%	08/01/22	189414KC8	\$ 200,000
	FHLB Bullet	09/10/21	313378JP7	518,937
	Clovis SD 2.05%	08/01/24	189414JA4	250,000
	Espanola SD 2.125%	09/01/25	29662RBA5	150,000
	Ruidoso SD 2.50%	08/01/21	781338HR2	250,000
	West Las Vegas 2.00%	08/15/22	953769KX3	150,000
	Hobbs SD 2.25%	07/15/21	433866EV8	200,000
	Gallup McKinley 2.00%	07/15/21	364010RJ9	176,684
	Torrance ETC County 2.00%	09/01/23	891400PE7	150,000
	Alamogordo NM Muni 3.00%	08/01/25	11464KQ6	250,000
	FFCB 2.01%	12/08/21	3133EGT47	1,025,704
	Dona Ana Branch Community 3.00%	08/01/24	257578EG5	300,000
	Torrance ETC County 2.00%	09/01/24	891400PF4	310,000
	Jal NM Public Schools 2.00%	10/01/24	470143AJ7	300,000
	Clovis NM Municipal Sch Dist 2.25%	08/01/32	189414PN9	325,000
	Ruidoso SD 3.00%	08/01/29	781338LT3	265,000
	Ruidoso SD 2.50%	08/01/31	781338KR8	300,000
	Bernalillo NM Sch Dist	08/01/30	085279VG9	375,000
	Taos NM Sch Dist 4.00%	09/01/28	87601UBY8	215,000
	FHMS K091 A2 3.51%	03/25/29	3137FLN91	600,000
<i>Total Centinel Bank</i>				<u>6,311,325</u>

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

<i>Total Pledged Collateral</i>	<u>\$ 16,311,325</u>
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See independent auditors' report.

COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Town Council
Town of Taos
U.S. Office of Management and Budget
Taos, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the Town of Taos (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated December 11, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items 2020-002 and 2020-003.

Town of Taos's Responses to Findings

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

Purpose of this Report

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

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

Cordova CPAs LLC
Albuquerque, NM
December 11, 2020

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FEDERAL FINANCIAL ASSISTANCE

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

INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Town Council
Town of Taos
U.S. Office of Management and Budget
Taos, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Town of Taos's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2020. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Basis for Qualified Opinion on Implementation of the Taos Pueblo Indian Water Rights Settlement

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CFDA No. 15.565 Implementation of the Taos Pueblo Indian Water Rights Settlement- Abeyta Project as described in findings 2020-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

Qualified Opinion on Implementation of the Taos Pueblo Indian Water Rights Settlement

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Taos Pueblo Indian Water Rights Settlement- Abeyta Project for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

The Town of Taos's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Taos's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Cordova CPAs LLC
Albuquerque, NM
December 11, 2020

TOWN OF TAOS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor or Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of the Interior - Bureau of Reclamation				
Implementation of the Taos Pueblo				
Indian Water rights Settlement	15.565	* \$ 606,474	\$ -	\$ -
<i>Total U.S. Department of the Interior - Bureau of Reclamation</i>		<u>606,474</u>	<u>-</u>	<u>-</u>
U.S. Department of Justice				
<i>Passed through State of New Mexico, Department of Public Safety</i>				
Taos County Juvenile Accountability Block Grant	16.523	35,445	-	-
<i>Total U.S. Department of Justice</i>		<u>35,445</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture				
<i>Passed Through State of New Mexico Energy Minerals Natural Resources</i>				
Community Forestry Assistance Grant- Facilities	10.664	9,897	-	-
<i>Total U.S. Department of Agriculture</i>		<u>9,897</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation				
<i>Passed through NM Department of Transportation</i>				
Federal Aviation Administration (FAA) Airport Improvement Grant				
Taxiway-A PER, Phase I Design	20.106	226,633	-	-
Memorandum of Agreement Overflight Stipulators	20.106	179,247	-	-
<i>Total U.S. Department of Transportation</i>		<u>405,880</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>		<u>\$ 1,057,696</u>	<u>\$ -</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program

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

Notes to Schedule of Expenditures of Federal Awards**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Town of Taos and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Loans

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

10% de minimus Indirect Cost Rate

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

Federally Funded Insurance

The Town has no federally funded insurance.

See independent auditors' report.

Section I – Summary of Auditors’ Results

Financial Statements:

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

Federal Awards:

- | | | | | | |
|---|---|------------------------|--------|---|--|
| 1. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | Yes | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Qualified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA</u>
<u>Number</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">15.565</td> <td style="text-align: center;">Implementation of the Taos Pueblo
Indian Water rights Settlement</td> </tr> </table> | <u>CFDA</u>
<u>Number</u> | <u>Federal Program</u> | 15.565 | Implementation of the Taos Pueblo
Indian Water rights Settlement | |
| <u>CFDA</u>
<u>Number</u> | <u>Federal Program</u> | | | | |
| 15.565 | Implementation of the Taos Pueblo
Indian Water rights Settlement | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | |

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings

2020-001 — Reporting- (Material Weakness and Noncompliance)

Federal Program Information:

Funding Agencies:	U.S. Department of Interior – Bureau of Reclamation
Titles:	Implementation of the Taos Pueblo Indian Water Rights Settlement
CFDA Number:	15.565
Award Year:	July 1, 2019 to June 30, 2020

Condition: During our audit we noted that one of the semi-annual SF-425 federal financial reports did not have the correct reported amounts that matched what was recorded in the general ledger for the reported period of the fiscal year. The report dated 3/31/2020 had \$44,343 less expenditures reported on the SF-425 compared to the general ledger.

Criteria: The SF-425, Federal Financial Report is required for the administration of the grant. These reports are to be accurately completed and supported by the underlying accounting records.

Effect: The Town understated their grant expenditures resulting in the 2nd semi-annual SF-425 report not being accurate by the amount above.

Questioned Costs: None

Cause: The client did not include one of the progress report amounts in the SF-425 which resulted in the incorrect amount being reported.

Auditors' Recommendation: We recommend that the Town should adjust the review process to include the Finance department as a second review before submitting the report to the Bureau of Reclamation.

Management's Response: Management agrees with the auditor's recommendation. The Grants and Revenue Development Director will now submit all semi-annual reports to the Finance Director for approval prior to submission to the Bureau of Reclamation, just as the draw down for funds procedure that are currently in place, which have prior approval before the draw down is completed. The second review will ensure all future semi-annual reports to be accurate. The personnel responsible for this are the Grants and Revenue Development Director and the Finance Director.

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

2020-002 Procurement Code Violation (Other Matter)

Condition: During our procurement testwork, we noted one instance where quotes were not properly solicited for a construction projects due to the projects being artificially segregated. The costs of the project totaled \$46,156.78

Criteria: As provided in the Procurement Code, Sections 13-1-28 through 13-1-199 NMSA 1978, and as noted in 1.4.1.15 NMAC All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to competitive sealed proposals; small purchases; sole source procurement; emergency procurement; procurement under existing contracts; and purchases from anti-poverty program businesses. Also, per 1.4.1.51 *Quotation to be obtained.* Insofar as it is practical for small purchases of nonprofessional services, construction or items of tangible personal property having a value exceeding twenty thousand dollars (\$20,000) but not exceeding sixty thousand dollars (\$60,000), and in accordance with any procedures or processes set forth by the state purchasing agent, no fewer than three businesses shall be solicited via written requests containing the specifications for the procurement to submit written quotations that are recorded and placed in the procurement file. If three written quotes cannot be obtained, the agency shall document the reasons and include the document in the procurement file. Such notations as “does not carry” or “did not return my phone call” do not qualify as a valid quotation. If the lowest quotation is not acceptable, the central purchasing office must issue a written determination as to the reasons for such a decision. These reasons must not be arbitrary or capricious. The written determination becomes a part of the procurement file.

Effect: The Town violated the Procurement Code and possibly did not receive the best obtainable price for these projects.

Cause: The Town had a management oversight during the review of these projects and believed these projects were independent of each other.

Auditors' Recommendation: We recommend the Town follow all internal controls of the Town and the procurement code when purchases goods and services.

Management's Response: Management agrees with the auditor's recommendation. The Facilities department dealt with various issues caused by the installation of the stage and roof structure at Kit Carson Park. The project scope changed during their maintenance, as issues arose that required additional repairs, including improvements. A memo from Facilities, dated April 11, 2019, indicated that “quotes were solicited via phone to the known contacts of the subject vendors, and sufficient time was given for response from those contacted, with only two responses forthcoming. On the basis of the foregoing, the facilities department maintains that the quote provided by the contractor in the amount of \$36,510.25 is reasonable, is the best obtainable price, and should be approved.” Facilities also submitted a request to Horizons of New Mexico to install mow curb 1000 LF with #4 rebar, 4500 PSI concrete with air and fiber mesh and install 2” sleeves for fencing in Kit Carson Park, installation of grave pave (provided by the Town), and ¾” gravel with compact and compaction testing for the gravel pave product. On April 11, 2019, Horizons of New Mexico declined the procurement. The final work scope consisted of the following: Install sidewalk along the walking path; install of drive pad for entrance and along the stage, stand-up curb border for gravel pave and grass and stand-up curb along the ditch on the east side of the stage. Facilities staff indicated this revised project scope fell under items within the Road, Construction Materials, and Services contract; however, the procurement and contract with the contractor expired in April 2019. This project also evolved as town staff could not do all of the work they originally intended due to time constraints. Contract TT-20-48 with the contractor in the amount of \$46,156.78 was approved by Council on August 5, 2019. The personnel responsible for this is the Finance Director.

2020-003 Lodger's Tax Audit Violation (Other Matter)

Condition: During our procurement testwork, we noted that the Town did not complete and file a lodger's tax audit for fiscal year 2020.

Criteria: As provided in the Town's Ordinances Chapter 4.12.150 (Lodger's Tax) The Town Finance Director shall select, for annual random audit, one or more vendors to verify the amount of gross rent subject to the occupancy tax and the ensure that the full amount of occupancy tax on the rent is collected from each vendor thus audited. Also, a copy of the audit shall be submitted to the Town's advisory board for review. A copy of the audit shall be filed annually, with the local government division of the New Mexico Department of Finance and Administration. (Ord. 97-32 1).

Effect: The Town is in violation of Ordinance 4.12.150 (Lodger's Tax).

Cause: The Town was not able to properly complete the audit for fiscal year due to the closures of the Town and local businesses, due to the Covid-19 pandemic.

Auditors' Recommendation: We recommend the Town follow Ordinance 4.12.150 (Lodger's Tax).

Management's Response: Management agrees with the auditor's recommendation. In March of 2020, we received an Engagement Letter from our current auditors to perform the agreed upon procedures for the current audit year. During this period is when the pandemic started and the Governor issued stay at home orders and many of our lodger's that we anticipated to audit were closed. Along with being short staffed in the Finance Department with two vacant positions that were unfunded during this time, we just didn't have the staff to take this forward. As time went on, just getting through the initial pandemic and adjusting with work schedules and fluctuating closures, we just didn't have this on our radar and did not complete the process. This audit year we had intended to audit at minimum 30 establishments, but with the pandemic at its worse, we were unable to do so. We anticipate to commence the process by January 31, 2021, either internally or by an outside Independent Accounting firm as it has been performed in the past. The completion date will be determined by the availability of establishments in providing necessary documentation, the course of the pandemic, but no later March 31, 2021. The personnel responsible for this is the Finance Director.

Section V – Prior Year Audit Findings

None noted

Daniel Barrone, Mayor

Councilmembers:

Nathaniel Evans

Darien Fernandez

George "Fritz" Hahn

Pascualito Maestas



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Rick Bellis, Town Manager

Town of Taos
Audit Findings Corrective Action Plan
December 10, 2020

For the fiscal year ended June 20, 2020 the Town has three findings. A summary of the finding along with the corrective action plan to prevent the audit findings in the future is detailed below.

2020-001 – Reporting – (Material Weakness and Noncompliance) - The Grants and Revenue Development Director will now submit all semi-annual reports to the Finance Director for approval prior to submission to the Bureau of Reclamation, just as the draw down for funds procedure that are currently in place, which have prior approval before the draw down is completed. The second review will ensure all future semi-annual reports to be accurate. The personnel responsible for this are the Grants and Revenue Development Director and the Finance Director. The Town's previous SF-425 reports have been reviewed both by the Grants and Revenue Development Director and the Finance Director and are anticipated to be submitted by December 31, 2020 with on-going discussions with the Bureau of Reclamation.

2020-002 – Procurement Code Violation – (Other Matter) –

The Facilities department dealt with various issues caused by the installation of the stage and roof structure at Kit Carson Park. The project scope changed during their maintenance, as issues arose that required additional repairs, including improvements. A memo from Facilities, dated April 11, 2019, indicated that "quotes were solicited via phone to the known contacts of the subject vendors, and sufficient time was given for response from those contacted, with only two responses forthcoming. On the basis of the foregoing, the facilities department maintains that the quote provided by the contractor in the amount of \$36,510.25 is reasonable, is the best obtainable price, and should be approved." Facilities also submitted a request to Horizons of New Mexico to install mow curb 1000 LF with #4 rebar, 4500 PSI concrete with air and fiber mesh and install 2" sleeves for fencing in Kit Carson Park, installation of grave pave (provided by the Town), and ¾" gravel with compact and compaction testing for the gravel pave product. On April 11, 2019, of Horizons of New Mexico declined the procurement. The final work scope consisted of the following: Install sidewalk along the walking path; install of drive pad for entrance

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Corrective Action Plan as follows:

- Update the Town's purchasing policy based on the State of New Mexico's procurement code and purchasing policy and train town staff by June 20, 2021. Emphasize the need for competition. Personnel responsible: Procurement Office and Finance Director.
- Develop and implement the following: 1) procedures to monitor for split purchases and ensure the user departments comply with procurement requirements and procedures; 2) a quarterly report to watch for split purchases; and 3) communicate any findings to the user department, town manager. Personnel responsible: Procurement Office.
- Work with user departments and analyze purchasing data to procure and seek contracts for ongoing services, goods, and construction needs. Personnel responsible: Procurement Officer and Finance Director.
- The Chief Procurement Officer recommends that Directors and staff involved in the procurement and contracting processes obtain the state procurement training and certification. Personnel Responsible: Department Directors and Administrative Staff that have construction projects of any kind.

2020-003 – Lodger's Tax Audit Violation (Other Matter) - In March of 2020 we received an Engagement Letter from our current auditors to perform the agreed upon procedures for the current audit year. During this period is when the pandemic started and the Governor issued stay at home orders and many of our lodger's that we anticipated to audit were closed. Along with being short staffed in the Finance Department with two vacant positions that were unfunded during this time, we just didn't have the staff to take this forward. As time went on, just getting through the initial pandemic and adjusting

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TOWN OF TAOS
Other Disclosures
June 30, 2020

Exit Conference

An exit conference was held on December 11, 2020. In attendance were the following:

Representing the Town of Taos:

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

Representing Cordova CPAs LLC:

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

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Town of Taos from the original books and records provided to them by the management of the Town. The responsibility for the financial statements remains with the Town.