

STATE OF NEW MEXICO
TOWN OF VAUGHN
FINANCIAL STATEMENTS

June 30, 2006

With Independent Auditor's Reports Thereon



Fogel & Co. LLC
Accountants · Auditors · Consultants
Albuquerque, New Mexico

INTRODUCTORY SECTION

STATE OF NEW MEXICO
TOWN OF VAUGHN
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June 30th, 2006

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STATE OF NEW MEXICO
TOWN OF VAUGHN
OFFICIAL ROSTER
June 30, 2006

TOWN COUNCIL - OFFICIAL ROSTER

Paul Madrid Jr.
Richard Gallegos
A. F. Padilla
Norbert Archibeque

Mayor
Mayor Pro-Tem
Member
Member

TOWN ADMINISTRATION

Teri Apodaca
Carmen Sisneros

Clerk and Treasurer
Assistant Clerk

FINANCIAL SECTION

FOGEL & CO LLC

Accountants • Auditors • Consultants

3916 Juan Tabo NE

Albuquerque, NM 87111

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, State Auditor
Mr. Paul Madrid Jr., Mayor
Members of The Town Council
Town of Vaughn
Vaughn, New Mexico

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, and the major budgetary comparison statements of the Town of Vaughn (the "Town"), as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the Town's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and the non-major budgetary comparison statements as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

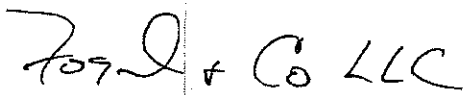
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Vaughn as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for each major fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Town of Vaughn as of June 30, 2006, and the respective changes in financial position where applicable, thereof, and the respective budgetary comparison for the major capital projects funds, the debt service fund and for all non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors Report
Page 2.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13, 2008, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Town of Vaughn has not presented Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Handwritten signature in black ink that reads "Fogel + Co LLC". The signature is written in a cursive style with a vertical line separating "Fogel" from "+ Co LLC".

Albuquerque, New Mexico
June 13, 2008

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF NET ASSETS
June 30, 2006

		Primary Government		Component Unit	
		Governmental Activities	Business-type Activities	Total	Housing Authority
ASSETS					
Cash, cash equivalents and investment	\$	626,206	185,803	812,009	14,316
Cash with paying agent		141,604	3,693	145,297	
Receivables, net		62,691	23,143	85,834	162
Due from grantor		252,456	498	252,954	50,715
Prepaid expenses		8,766	3,821	12,587	2,657
Interfund balances		11,967	(11,967)	-	
Bond Issuance Costs			10,837	10,837	
Restricted assets:					
Meter deposits			20,062	20,062	
Tenant security deposits				-	863
Capital assets:					
Land and construction work in progress		323,252	19,203	342,455	
Other capital assets		3,619,635	4,793,211	8,412,846	666,331
		3,942,887	4,812,414	8,755,301	666,331
Accumulated depreciation		(1,023,260)	(1,022,773)	(2,046,033)	(266,027)
Net capital assets		2,919,627	3,789,641	6,709,268	400,304
Total assets	\$	4,023,317	4,025,531	8,048,848	469,017
LIABILITIES					
Accounts payable and accrued expenses	\$	397,263	24,351	421,614	1,941
Accrued and withheld taxes		7,232		7,232	1,530
Compensated absences - current		6,222	8,548	14,770	1,532
Deposits held in trust for others			10,547	10,547	863
Long-term liabilities:					
Due within one year		24,956	16,919	41,875	
NMFA notes payable		183,589	548,557	732,146	
Landfill closure costs			21,550	21,550	
Compensated absences		2,630	3,613	6,243	
Total liabilities	\$	621,892	634,085	1,255,977	5,866
NET ASSETS					
Invested in capital assets, net or related debt	\$	2,711,082	3,236,018	5,947,100	400,304
Restricted for:					
Public safety		185,840		185,840	
Public Works		395,842		395,842	
Culture and recreation		29,211		29,211	
Health and welfare		6,108		6,108	
Debt Service		1,641		1,641	
Unrestricted		71,701	155,428	227,129	62,847
Total net assets	\$	3,401,425	3,391,446	6,792,871	463,151

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

Function/Programs	Net (Expenses) Revenues and Changes in Net Assets						Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Primary Government:								
Governmental Activities:								
General government	\$ 148,124	1,077	84,887		(62,160)		(62,160)	
Public safety	179,172	26,960	88,041	74,730	10,559		10,559	
Health and welfare	4,698		335		(4,363)		(4,363)	
Public works	40,841			1,615,170	1,574,329		1,574,329	
Culture and recreation	126,729		78,100	104,047	55,418		55,418	
Interest on long-term obligation	1,658				(1,658)		(1,658)	
Total Governmental Activities	501,222	28,037	251,363	1,793,947	1,572,125	-	1,572,125	
Business-type Activities:								
Solid Waste	61,766	33,160	-		(28,606)		(28,606)	
Water and Sewer	295,543	292,246		637,772	634,475		634,475	
Total Business-Type Activities	357,309	325,406	-	637,772	605,869	-	605,869	
Total Primary Government	\$ 858,531	353,443	251,363	2,431,719	1,572,125	605,869	2,177,994	
Component Unit:								
Housing Authority	\$ 105,484	17,423	61,475	-			(26,586)	
General Revenues:								
Taxes								
Property taxes, levied for general purpose					\$ 44,428		44,428	
Gross receipts taxes, levied for general purposes					205,947		205,947	
Other taxes					38,402	21,350	59,752	
Interest and investment earnings					549	391	940	
Total General Revenue					\$ 289,326	21,741	311,067	
Transfers in (out)					(24,643)	26,013	1,370	
Change in net assets					1,836,808	653,623	2,490,431	
Net assets - Beginning					1,564,617	2,737,823	4,302,440	
Net assets - Ending					\$ 3,401,425	3,391,446	6,792,871	
							463,150	

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

<u>ASSETS</u>	Fund 101	Fund 209	Fund 216	Other Governmental Funds	TOTAL GOVERNMENTAL
ASSETS					
Assets:					
Cash and investments	\$ 154,941	228	370,539	100,498	626,206
Cash with paying agent		139,963		1,641	141,604
Taxes and accounts receivable	45,906		2,779	252,456	301,141
Due from other funds	8,423		22,564	3,602	34,589
Prepaid Insurance	4,685	2,750		1,331	8,766
Total assets	<u>\$ 213,955</u>	<u>142,941</u>	<u>395,882</u>	<u>359,528</u>	<u>1,112,306</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	4,071	-		268,192	272,263
Accrued salaries & benefits	5,270		35	1,927	7,232
Accrued compensated absences	3,688			2,534	6,222
Due to other funds	15,601		5	7,016	22,622
Total liabilities	<u>\$ 28,630</u>	<u>-</u>	<u>40</u>	<u>279,669</u>	<u>308,339</u>
Fund Equity:					
Fund balance:					
Statutory reserve	63,950			-	63,950
Reserved for subsequent year's expenditures		125,000	395,842	-	520,842
Reserved for prepaid insurance	4,685	2,750	-	1,331	8,766
Reserved for debt service		13,890		1,641	15,531
Unreserved fund equity, reported in:					-
Special revenue funds				76,888	76,888
General	116,690	1,301		-	117,991
Total fund equity	<u>\$ 185,325</u>	<u>142,941</u>	<u>395,842</u>	<u>79,860</u>	<u>803,968</u>
Total liabilities and fund equity	<u>\$ 213,955</u>	<u>142,941</u>	<u>395,882</u>	<u>359,529</u>	<u>1,112,307</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET WITH THE STATEMENT OF NET ASSETS**
June 30, 2006

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

Total fund balances - Governmental funds	\$	803,968
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Income that the Town is entitled to at the year end but which is received two months after the balance sheet date is deferred and not recognized as income in the fund statements.	\$	<u>14,006</u>	14,006
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Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds:

The cost of capital assets is	3,942,887	
Accumulated depreciation is	<u>(1,023,260)</u>	2,919,627

Long-term debt, including current maturities, and certain other liabilities
are not recorded until due and therefore are not reported as
liabilities in the governmental funds: Long-term and other
liabilities at year-end consisted of:

Accounts payable	(125,000)	
Notes payable	(208,545)	
Accrued compensated absences - non current	<u>(2,630)</u>	<u>(336,175)</u>
	\$	<u><u>3,401,425</u></u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT C, Continued

STATE OF NEW MEXICO
TOWN OF VAUGHN
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the year ended June 30, 2006

	Fund 101	Fund 209	Fund 216	Other Governmental Funds	TOTAL GOVERNMENTAL FUNDS
Taxes:					
Property	48,847				48,847
Gross Receipts	191,942				191,942
Other	5,485		32,479	734	38,698
Intergovernmental - State	249,418	48,820		179,697	477,935
Intergovernmental - Federal				1,538,725	1,538,725
Charges for services	122		80		202
Licenses and permits	875				875
Miscellaneous local sources	11,722	11,331		33,105	56,158
Total revenue	508,411	60,151	32,559	1,752,261	2,353,382
Expenditures:					
Current					
General government	148,785				148,785
Public safety	90,750	41,700		19,013	151,463
Health and welfare	3,848			100	3,948
Culture and recreation	35,298			77,490	112,788
Public works	22,248		14,903		37,151
Noncurrent:					
Debt Service:					
Principal					-
Interest and fiscal charges					-
Capital outlay	110,209			40,024	150,233
Total expenditures	411,138	41,700	14,903	1,758,621	2,226,362
Revenue over (under) expenditures	97,273	18,451	17,656	(6,360)	127,020
Other financing sources (uses):					
Proceeds from loan		138,889			138,889
Operating transfers in	-	24,990		46,849	71,839
Operating transfers out	(51,290)	(42,026)	(3,167)		(96,483)
Net other financing sources (uses)	(51,290)	121,853	(3,167)	46,849	114,245
Net change in fund balances	45,983	140,304	14,489	40,489	241,265
Fund balance, beginning of year	139,342	2,637	381,353	39,371	562,703
Residual equity transfers					
Fund balance, end of year	185,325	142,941	395,842	79,860	803,968

STATE OF NEW MEXICO
TOWN OF VAUGHN
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2006

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

Total net change in fund balances - Governmental funds	\$	241,265
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those assets are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation and loss disposals.

Depreciation expense	\$	(51,401)	
Capital outlays		<u>1,730,178</u>	
		<u>1,678,777</u>	1,678,777

In the Statement of Activities, certain operating expenses are measured by the amounts incurred during the year. However, in the fund financial statements, expenditures are measured by the amount of financial resources used or available for use (essentially the amounts actually paid). The (increase) decrease in the assets and liabilities for the year were:

Increase in taxes receivable	9,291	
Decrease in accrued interest	343	
Decrease in compensated absences payable	<u>5,997</u>	
	<u>15,631</u>	15,631

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Note principal payments	<u>40,024</u>	40,024
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Borrowing is revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

	<u>(138,889)</u>	<u>(138,889)</u>
	\$	<u><u>1,836,808</u></u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND - FUND 101
For the year ended June 30, 2006

	Budgeted Amounts		Actual		Variances	
	Original	Revised	GAAP	Basis	Positive (Negative)	
					Original Budget To Final	Actual to Final Budget
Revenue:						
Intergovernmental - State	\$ 81,965	390,185		249,418	(308,220)	(140,767)
Taxes	191,816	213,912		246,274	(22,096)	32,362
Charges for services	144	144		122	-	(22)
License and fees	680	680		875	-	195
Miscellaneous local sources	82,929	82,929		11,722	-	(71,207)
Total revenue	357,534	687,850		508,411	(330,316)	(179,439)
Expenditures:						
General Government:						
Financial Administration:						
Current:						
Personal services	63,194	63,194		69,450	-	(6,256)
Operating expenses	21,825	51,825		79,335	(30,000)	(27,510)
Non-Current:						
Capital outlay	-	175,000		-	(175,000)	175,000
Total Financial Administration	85,019	290,019		148,785	(205,000)	141,234
Public Safety:						
Police:						
Current:						
Personal services	111,267	111,267		67,936	-	43,331
Operating expenses	6,399	6,399		5,257	-	1,142
Total Police	117,666	117,666		73,193	-	44,473
Fire:						
Current:						
Personal services	111,267	111,267		5,507	-	105,760
Operating expenses	1,050	1,050		9,568	-	(8,518)
Non-Current:						
Capital outlay	-	70,000		-	(70,000)	70,000
Total Fire	112,317	182,317		15,075	(70,000)	167,242
Ambulance:						
Current:						
Operating expenses	16,531	16,531		2,482	-	14,049
Total Public Safety	246,514	316,514		90,750	(70,000)	225,764
Health & Welfare						
Current:						
Operating expenses				3,848	-	(3,848)
Total Health & Welfare	0	0		3,848	0	(3,848)

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED AND ACTUAL (NON-GAAP BASIS), continued
GENERAL FUND - FUND 101
For the year ended June 30, 2006

	Budgeted Amounts		Actual		Variances	
	Original	Revised	GAAP	Basis	Positive (Negative)	
					Original Budget To Final	Actual to Final Budget
Expenditures:						
Public Works:						
Highway and Streets:						
Current:						
Operating expenses	20,796	20,796		22,248	-	(1,452)
Total Public Works	20,796	20,796		22,248	-	(1,452)
Culture and Recreation:						
Library:						
Current:						
Personnel Services	6,681	6,681		1,544	-	5,137
Operating expenses	3,360	3,360		815	-	2,545
Total Library	10,041	10,041		2,359	-	7,682
Parks and Recreation:						
Current:						
Personnel				2,959	-	(2,959)
Operating expenses	3,277	3,277		17,279	-	(14,002)
Non-Current						
Capital outlay	-	65,000		27,933	(65,000)	37,067
Total Parks and Recreation	3,277	68,277		48,171	(65,000)	20,106
Seniors:						
Current:						
Personnel				8,397		
Operating expenses				4,304		
Non-Current						
Capital outlay	-	-		82,276	-	(82,276)
Total Seniors	-	-		94,977	-	(82,276)
Total Culture and Recreation:	13,318	78,318		145,507	(65,000)	(54,488)
Total Expenditures	365,647	705,647		411,138	(340,000)	307,210
Other financing sources (uses):						
Operating transfer out	-	-		51,290	-	(51,290)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (8,113)	(17,797)		45,983	9,684	(435,359)

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED AND ACTUAL (NON-GAAP BASIS)
FIRE PROTECTION - FUND 209
For the year ended June 30, 2006

	Budgeted Amounts		Actual		Variances	
	Original	Revised	GAAP	Basis	Positive (Negative)	
					Original Budget To Final	Actual to Final Budget
Revenue:						
Intergovernmental - State	\$ 48,820	53,788	48,820		4,968	(4,968)
Miscellaneous local sources	5,000	5,000	11,331		-	6,331
Total revenue	<u>53,820</u>	<u>58,788</u>	<u>60,151</u>		<u>4,968</u>	<u>1,363</u>
Expenditures:						
Public Works						
Current:						
Salaries and benefits						-
Operating expenses	53,820	58,788	41,700		4,968	17,088
Non-Current:						
Capital outlay						-
	<u>53,820</u>	<u>58,788</u>	<u>41,700</u>		<u>4,968</u>	<u>17,088</u>
Other financing sources (uses):						
Bond Proceeds			138,889		-	138,889
Operating transfer in			24,990		-	(24,990)
Operating transfer out	(14,992)	(14,992)	(42,026)		-	27,034
	<u>(14,992)</u>	<u>(14,992)</u>	<u>121,853</u>		<u>-</u>	<u>140,933</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (14,992)</u>	<u>(14,992)</u>	<u>140,304</u>		<u>-</u>	<u>18,451</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
STREET FUND - FUND 216
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Intergovernmental - State	\$ 50,932	47,765	32,479	3,167	(15,286)
Miscellaneous local sources			80		80
	<u>50,932</u>	<u>47,765</u>	<u>32,559</u>	<u>3,167</u>	<u>(15,206)</u>
Expenditures:					
Public Safety:					
Current:					
Operating expenses	50,932	47,765	14,903	3,167	32,862
Non-Current:					
Capital outlay	-	-	-	-	-
	<u>50,932</u>	<u>47,765</u>	<u>14,903</u>	<u>3,167</u>	<u>32,862</u>
Revenues over (under) expenditures			<u>17,656</u>	<u>17,656</u>	<u>17,656</u>
Other financing sources (used):					
Loan Proceeds			-	-	-
Operating transfers in			-	-	-
Operating transfers out			(3,167)	(3,167)	(3,167)
			<u>(3,167)</u>	<u>(3,167)</u>	<u>(3,167)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	<u>14,489</u>	<u>14,489</u>	<u>14,489</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Business type activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Totals</u>
ASSETS			
Current assets, unrestricted:			
Cash and cash equivalents	\$ 69,711	116,092	185,803
Cash with paying agent	3,692	1	3,693
Customer accounts receivable, net of allowance for doubtful accounts	2,455	20,688	23,143
Taxes and receivable	498		498
Due from other funds	52	12,138	12,190
Prepaid expenses	825	2,996	3,821
Deferred bond issuance costs		10,837	10,837
Total current unrestricted assets	<u>77,233</u>	<u>162,752</u>	<u>239,985</u>
Current assets, restricted:			
Cash and cash equivalents:			
Meter deposits		20,062	20,062
Total restricted current assets	<u>-</u>	<u>20,062</u>	<u>20,062</u>
Total current assets	<u>77,233</u>	<u>182,814</u>	<u>260,047</u>
Capital assets:			
Land and construction work in progress	3,500	15,703	19,203
Other Capital assets	289,313	4,503,898	4,793,211
	<u>292,813</u>	<u>4,519,601</u>	<u>4,812,414</u>
Accumulated depreciation	<u>(102,180)</u>	<u>(920,593)</u>	<u>(1,022,773)</u>
Net capital assets	<u>190,633</u>	<u>3,599,008</u>	<u>3,789,641</u>
Total assets	<u>\$ 267,866</u>	<u>3,781,822</u>	<u>4,049,688</u>
LIABILITIES AND EQUITY			
Current liabilities, payable from unrestricted assets:			
Accrued liabilities	\$ 240	2,817	3,057
Accrued interest	-	21,294	21,294
Current portion of long-term debt	11,919	5,000	16,919
Compensated absences	901	7,647	8,548
Due to other funds	353	23,804	24,157
	<u>13,413</u>	<u>60,562</u>	<u>73,975</u>
Current liabilities, payable from restricted assets:			
Customer deposits		10,547	10,547
	<u>-</u>	<u>10,547</u>	<u>10,547</u>
Total current liabilities	<u>13,413</u>	<u>71,109</u>	<u>84,522</u>
Long-term liabilities:			
NMFA note payable	48,557	500,000	548,557
Landfill closure costs	21,550	-	21,550
Compensated absences	381	3,232	3,613
Total long-term liabilities	<u>70,488</u>	<u>503,232</u>	<u>573,720</u>
Total Liabilities	<u>\$ 83,901</u>	<u>574,341</u>	<u>658,242</u>
Fund equity:			
Net assets invested in capital assets, net of related debt	\$ 142,076	3,094,008	3,236,084
Unrestricted net assets	41,889	113,473	155,362
Total net assets	<u>\$ 183,965</u>	<u>3,207,481</u>	<u>3,391,446</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the year ended June 30, 2006

	Business type activities - Enterprise Funds		
	Solid Waste	Water and Sewer	Totals
Operating revenues:			
Sales and service	\$ 33,160	292,246	325,406
Other	21,350		21,350
	<u>54,510</u>	<u>292,246</u>	<u>346,756</u>
Operating expenses:			
Personal services	18,145	91,385	109,530
Operating expenses	20,960	54,806	75,766
Fuel and power / utilities		40,881	40,881
Bad debt			-
Depreciation	22,288	90,043	112,331
Other		-	-
	<u>61,393</u>	<u>277,115</u>	<u>338,508</u>
Operating income (loss)	<u>(6,883)</u>	<u>15,131</u>	<u>8,248</u>
Non-operating income (expenses):			
Interest income	258	133	391
Interest expense	(373)	(18,428)	(18,801)
Capital grants		637,772	637,772
Net non-operating income (expenses)	<u>(115)</u>	<u>619,477</u>	<u>619,362</u>
Transfers in	2,362	26,013	28,375
Transfers out		(2,362)	(2,362)
Net Transfers	<u>2,362</u>	<u>23,651</u>	<u>26,013</u>
Change in net assets	(4,636)	658,259	653,623
Net assets, beginning of year	<u>188,601</u>	<u>2,549,222</u>	<u>2,737,823</u>
Net assets, end of year	<u>\$ 183,965</u>	<u>3,207,481</u>	<u>3,391,446</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the year ended June 30, 2006

	<u>Business type activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 54,770	294,480	349,250
Cash paid to and on behalf of employees	(17,901)	(89,853)	(107,754)
Cash paid to vendors for goods and services	(13,015)	(105,418)	(118,433)
Operating grants received			
Net cash flow from operating activities	<u>23,854</u>	<u>99,209</u>	<u>123,063</u>
Cash flows used for noncapital financing activities:			
Operating transfers received (paid)	2,362	23,651	26,013
	<u>2,362</u>	<u>23,651</u>	<u>26,013</u>
Cash flows from capital and related financing activities:			
Amortization of bond interest		278	278
Interest expense	(373)	(18,122)	(18,495)
Loan repayments	(11,853)	(5,000)	(16,853)
Capital grant received		637,772	637,772
Purchase of capital assets		(641,786)	(641,786)
Net cash flows from capital and related financing activities	<u>(12,226)</u>	<u>(26,858)</u>	<u>(39,084)</u>
Cash flows from investing activities:			
Investment income	258	133	391
Net cash flows from investing activities	<u>258</u>	<u>133</u>	<u>391</u>
Net increase (decrease) in cash and cash equivalents	14,248	96,135	110,383
Cash and cash equivalents, at beginning of year	<u>63,759</u>	<u>40,020</u>	<u>103,779</u>
Cash and cash equivalent, end of year	<u>\$ 78,007</u>	<u>136,155</u>	<u>214,162</u>
Shown on statement of net assets as:			
Unrestricted cash and cash equivalents	\$ 69,711	116,092	185,803
Cash with paying agent	3,692	1	3,693
Restricted cash and cash equivalents	-	20,062	20,062
	<u>\$ 73,403</u>	<u>136,155</u>	<u>209,558</u>

RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Net operating Income	(6,882)	15,131	8,249
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	22,288	90,043	112,331
Collection losses	-	-	-
Changes in assets and liabilities:			
Receivables	260	999	1,259
Prepaid expenses	(570)	(540)	(1,110)
Accounts payable	1,902	1,237	3,139
Compensated absences	244	295	539
Due from other funds	2,302	(9,191)	(6,889)
Customer Deposits		1,235	
Landfill closure costs	4,310		4,310
	<u>\$ 23,854</u>	<u>99,209</u>	<u>123,063</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

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STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

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STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Vaughn (Town) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The Town has implemented the new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. The effective date of the implementation was July 1, 2003. Under the provisions of GASB 34, significant changes in its financial reporting are evident. A few of the most significant changes include:

1. Addition of management's discussion and analysis
2. Elimination of account groups
3. Government-wide financial statements using full accrual basis of accounting
4. Recognition of depreciation on all depreciable capital assets
5. Changes in the statement requirements that comprise the Town's 1) Basic Financial Statements, 2) Required Supplementary Data, 3) Footnotes.

The more significant of the government's accounting policies are described below.

A. **FINANCIAL REPORTING ENTITY**

The Town Of Vaughn is incorporated under provisions of Chapter 3, Article 2, NMSA 1978. The Town operates under Mayor - Council form of government and provides the following services as provided by law: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public works, planning and zoning, economic development and general administrative services. The Town operates the following funds: enterprises: water / sewer, housing and solid waste.

The Town's basic financial statements include all activities and accounts of the Town's "financial reporting entity".

The financial reporting entity consists of (a) the primary government, (b) organization 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. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

A. **FINANCIAL REPORTING ENTITY, continued**

the primary government. A primary government may also be financially accountable for government organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The Town of Vaughn Housing Authority has been included in the Town's Government-Wide Financial Statements as a "discretely presented" component unit. The Housing Authority's Board members are appointed by the Town's officials and all Annual Contribution Contracts "ACC's" are signed by the Town.

There were no other component units during the year ended June 30, 2006. Complete financial statements for Town of Vaughn Housing Authority may be obtained from the Town of Vaughn or the Town of Vaughn Housing Authority's administrative offices.

Government-Wide and Fund Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. *Business-type activities* are financed in whole or in part by fees charged to external parties for goods or services. For the most part, the effect of interfund activities have been removed from these statements. The *primary government* is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

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 or segment and 2) grants and

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, *continued*
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

B. BASIS OF PRESENTATION

contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole. They reduce the net costs of the function to be financed from the government's general revenues. The charges for services reflected on the statement of activities includes miscellaneous reimbursements, licenses and fees and rental charges.

Program-specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes-to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used *either* for operating expenses *or* for capital expenditures of the program at the discretion of the reporting government.

These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

During the year ended June 30, 2006 the Town received operating grants and contributions for its General Government (mainly Small Cities assistance from the State of New Mexico); Public Safety (mainly Fire and EMS allotments from the State of New Mexico); Culture and Recreation (mainly Senior Program grants and contributions) as well as an FAA capital grant for airport improvements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. The Town's funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

B. **BASIS OF PRESENTATION, continued**

Government-Wide and Fund Financial Statements, continued:

Town or meets the following criteria:

Total assets, liabilities, revenues or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for all funds of the Town combined.

The Town reports the following major funds:

Major Governmental Funds:

General Fund - To account for resources associated with governments that are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

Fire Fund - To account for funds used for fire prevention. Revenue sources are primarily the New Mexico State Fire fund allotment and bond revenue for financing specific purchases of equipment and for maintenance and construction of fire stations.

Streets Fund - To account for funds used to maintain roads for which the Town has responsibility. Financing sources include gasoline taxes imposed by Chapter 7, Article 13 NMSA 1978 and distributed to the Town pursuant to 7-1-6.9 NMSA 1978 and New Mexico State Highway Department Cooperative Agreement Funds as provided for in 67-3-28 NMSA 1978. Expenditures are restricted for the purpose of construction, reconstruction, resurfacing or other improvement of public roads, streets, alleys or bridges, including right-of-way and materials acquisition

Proprietary Funds:

Solid Waste - To account for the provision of solid waste services to the residents of the Town.

Water and Sewer - To account for the provision of water and sewer to the residents of

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

B. **BASIS OF PRESENTATION, *continued***

Government-Wide and Fund Financial Statements, *continued*:

the Town and others.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the Town.

Fiduciary Funds (Not included in government-wide statements)

The Town of Vaughn did not have any Fiduciary Funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The Town of Vaughn has no internal service funds.

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, continued**

Measurement Focus, continued

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities and proprietary activities are presented using the *economic resources measurement focus* and the *accrual basis of accounting*.

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 in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting objectives of this measurement focus are the determination of operating is classified as net assets.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. All governmental funds utilize a “*current financial resources*” measurement focus and the *modified accrual basis of accounting*. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

b. Proprietary funds use the economic resources measurement focus as described above.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, *continued***

Revenue Recognition

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

Derived tax revenues, such as; gross receipts tax, gasoline tax, cigarette tax, and motor vehicle licensing fees, are recognized when the underlying exchange has occurred.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed measurable and available (i.e., collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes certain locally assessed and state levied locally shared taxes including gross receipts tax, motor vehicle license fees and gasoline taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expense. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, *continued*
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

D. **ASSETS, LIABILITIES AND EQUITY**

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short term deposits with maturities of six months or less from the date of acquisition.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts taxes, grants and state shared taxes as well as assessed, but unpaid property taxes. For the proprietary funds the primary receivables are amounts due from customers.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as tax and grants and other similar intergovernmental revenues that have met the available criteria for accrual, since they are usually measurable. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. For governmental fund financial statement purposes, interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Interest and investment earnings are recognized when earned, regardless of when received in the government-wide financial and the proprietary fund statements in accordance with the accrual basis of accounting. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Allowance For Doubtful Accounts

A provision for uncollectible accounts was maintained at June 30, 2006 for the proprietary funds. The solid waste allowance was estimated at \$300 and the water and sewer allowance was estimated to be \$1,200. All other receivables were considered to be collectible.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

D. **ASSETS, LIABILITIES AND EQUITY, continued**

Interfund Receivables and Payables

During the course of operations transactions may occur between individual funds that may give rise to amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.”

Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payable between funds within governmental activities and interfund transfers between the respective proprietary funds are eliminated in the Statement of Net Assets.

However between the governmental and proprietary fund categories the interfund receivables have not been eliminated, except in the total column.

At June 30, 2006 there were due to/due from accounts in the fund financial statements which are presented in note 2.

A schedule of operating transfers during the year ended June 30, 2006 is presented in note 2.

Prepaid Expenses

Prepaid expenses are reported in the Statement of Net Assets (government-wide statement) and balance sheet (fund financial statement) when expenditures for goods or services are made that benefit future periods. At June 30, 2006 prepaid insurance costs amounted to \$12,587.

Inventory of Supplies

There were no material amounts of inventory at June 30, 2006. Purchases for supplies are recorded as expenditures and are not recorded as an asset on the statement of net assets or balance sheet.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

D. **ASSETS, LIABILITIES AND EQUITY, continued**

Restricted Cash - Meter Deposits

The Town maintains a separate bank account for utility customer service deposits. The monies on deposit in this account are not available for purposes other than the repayment of the deposits.

Capital Assets and Depreciation

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets with a value or cost greater than \$5,000 are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. All of the capital assets have been recorded at cost.

The Town does not develop "internal use" software. Rather, software purchased is depreciated over its expected useful life (generally 5 years) using the straight-line method of depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statements of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure	20-30 years
Land Improvements	25-65 years
Building and improvements	25-65 years
Vehicles and rolling stock	5-10 years
Machinery, equipment and other	5-20 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

D. **ASSETS, LIABILITIES AND EQUITY, continued**

Long Term Debt

The accounting treatment of long-term debt depends on whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences. This same treatment applies to the proprietary fund financial statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

Compensated Absences

The Town's policy regarding vacation time permit employees to accumulate earned but unused compensated absences. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources and the proprietary funds use the economic resources measurement focus.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, *continued*
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued***

D. **ASSETS, LIABILITIES AND EQUITY, *continued***

Equity Classifications, *continued*

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Fund equity was reserved for the following purposes:

Statutory Reserve

A statutory reserve, as required by state regulation, equal to 1/12 of the subsequent year's budgeted expenditures has been provided in the General Fund.

Reserved for Debt Service

Amounts legally restricted for the payment of long-term debt.

Reserved for Prepaid Insurance

Segregates a portion to indicate that although prepaid items are an asset, it does not represent an available, spendable resource.

Reserved for Subsequent Years' Expenditures

Represents the amounts, which are required to be reserved for subsequent years' expenditures.

Unreserved, Undesignated

Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the Town.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

D. **ASSETS, LIABILITIES AND EQUITY, continued**

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and /or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Revenues and expenses that do not meet this definition are accounted for as non-operating revenues and expenses.

E. **REVENUES, EXPENDITURES AND EXPENSES**

Gross Receipts Tax

The Town levies a gross receipts tax on sales within the Town. The tax is collected by the Taxation and Revenue Department of the State of New Mexico and remitted to the Town approximately one month after receipt of the tax from vendors doing business in the Town. Vendors remit the tax to the State in the month following the month of sale/collection. Taxes collected by the State in June and July and received by the Town in July and August are included in the caption "Receivables" on the Statement of Net Assets (Government-wide) and Balance Sheet (Fund Financial Statements).

Property Taxes

Under Chapter 7, Article 37-7 B(3), NMSA, 1978 Compilation, Municipalities are limited in their ability to impose property taxes on assessed property within the Municipality to a rate not to exceed \$7.65 for each one thousand dollars (\$1,000) of net taxable value of both residential and non residential property.

In addition, the Municipality can impose, without restriction, property taxes sufficient to pay principal and interest on general obligation bonds that were authorized by the voters within the Municipality as well as taxes sufficient to pay for tort or workman's compensation judgments for which the Municipality is liable.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character: Current (further classified by function)
Debt Service

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

E. **REVENUES, EXPENDITURES AND EXPENSES continued**

Expenditures/Expenses, continued

Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Expenditures of Restricted Sources

It is the Town's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

Accrued Compensated Absences

Vested compensated absences are accounted for under the full accrual basis of accounting on the Government-wide financial statements and are classified as current and non current liabilities.

Accrued Compensated Absences, continued

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 fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported in the fund statements. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for certain sick pay as the Town does provide for payment upon termination of employment.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental and proprietary funds have been eliminated. However, transfers between governmental and proprietary funds have not been eliminated, except in the total column.

See note 2 for details on transfers between funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

F. **OTHER POLICIES**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Implementation of Accounting Principles -
FASB Pronouncements-Proprietary Fund Accounting**

The Town of Vaughn uses enterprise funds to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Per the requirements of GASB 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting", the enterprise funds have elected to apply all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as following all FASB pronouncements issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

2. **COMPLIANCE AND ACCOUNTABILITY**

A. **BUDGET REQUIREMENTS, ACCOUNTING AND REPORTING**

All budgets are adopted on the cash basis of accounting, which is inconsistent with Generally Accepted Accounting Principles (GAAP). Budgetary comparison statements present budget and actual amounts on the budgetary basis of accounting (cash basis).

The Town is required to follow the procedures established by the New Mexico Department of Finance and Administration when developing its budgets, as follows:

1. The Fiscal Officer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, *continued*
June 30, 2006

2. **COMPLIANCE AND ACCOUNTABILITY, continued**

A. **BUDGET REQUIREMENTS, ACCOUNTING AND REPORTING, continued**

2. Public hearings are conducted at the Town offices to obtain public comment.
3. The budget is tentatively approved by the Town Council, and final approval is ultimately made by the Department of Finance and Administration, Local Government Division.
4. The Fiscal Officer requests authorization from the Town Council to transfer budget amounts within departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Commission and by the Local Government Division of the Department of Finance and Administration, State of New Mexico.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

Amendments to the budget, including operating transfers, which increase or decrease a fund's total budgeted expenditures must be approved by the Town Council and the Local Government Division of the Department of Finance and Administration, State of New Mexico. Amendments made to the original budget are included in the budgetary comparison schedules of this report, which reflect actual to budget. The Town did not amend its original budget during the year. A budgetary comparison for Corrections (Fund 201) has not been presented as the fund had no budgeted expenditures. The revenue reported consists of interest on idle funds.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level. Outstanding encumbrances lapse at year end but may be re-budgeted in the next year's budget. The Town did not use encumbrance accounting during the year ended June 30, 2006.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

2. COMPLIANCE AND ACCOUNTABILITY, continued

B. INTERFUND BALANCES

The following schedule details the net interfund due to/due from's made by the Town of Vaughn during the year ended June 30, 2005:

General Fund	<u>Due From</u>	<u>Due To</u>
206 Emergency Medical Services	\$ 3,599	
216 Municipal Street	4	193
219 Senior Citizens	1,331	148
409 Airport Project		3,453
509 Ambulance	1,704	
504 LandFill	353	52
505 Water Utility	1,433	11,755
Total General Fund	<u>8,424</u>	<u>15,601</u>
 Special Revenue Funds:		
206 Emergency Medical Services		
101 General Fund		3,599
216 Municipal Street		
101 General Fund	193	4
505 Water Utility	22,371	1
219 Senior Citizens		
101 General Fund	148	1,331
505 Water Utility		382
409 Airport Project		
101 General Fund	3,453	
509 Ambulance		
101 General Fund		1,704
Total Special Revenue Funds	<u>26,165</u>	<u>7,021</u>
 Proprietary Funds:		
504 Landfill		
101 General Fund	52	353
505 Water Utility		
505 Water Utility		
101 General Fund	11,755	1,433
216 Municipal Street	1	22,371
219 Senior Citizens	382	
504 Landfill		
Total Proprietary Funds	<u>12,190</u>	<u>24,157</u>
Total All Funds	<u>\$ 46,779</u>	<u>46,779</u>

The due to / due from accounts were generally created to reflect amounts that were received or expended from the wrong fund or account.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

2. **COMPLIANCE AND ACCOUNTABILITY, continued**

C. **OPERATING TRANSFERS, continued**

The following schedules detail the interfund operating transfers made during the year ended June 30, 2006

Special Revenue Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
Fire Fund (209)		
To: Debt Service (301)	\$	42,026
Total Special Revenue Funds	<u>-</u>	<u>42,026</u>
Debt Service Funds		
Debt Service Fund (301)		
From: Fire Fund (209)	42,026	
Total Debt Service Funds	<u>42,026</u>	<u>-</u>
Total All Funds	<u>\$ 42,026</u>	<u>42,026</u>

In the fund financial statements, these transfers were treated as residual equity transfers.

The operating transfers were made for the following purposes:

Transfer from Fire Fund to Debt Service Fund to account for the intercepted State Fire Allotment used to pay the debt owed to New Mexico Finance Authority.

3. DEPOSITS AND INVESTMENTS

The Town Of Vaughn is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

All money not immediately necessary for the public uses of the Town may be invested in:

- a. bonds or negotiable securities of the United States, the state or any county, municipality or town which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- b. securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or
- c. in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment.

Pursuant to Section 6-10-10.1 NMSA 1978, if the Town is unable to receive payment on public money at the rate of interest set forth in Section 6-10-3 6 NMSA 1978 (which is no less than one hundred percent of the asked price on the United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the Town official having money in his custody not required for expenditure within thirty days or less may, with the consent of the local board of finance, if any, remit some or all of such money to the State Treasurer, bank, savings and loan association or credit union for deposit for the purpose of short term investment.

3. DEPOSITS AND INVESTMENTS, continued

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to section 6-10-10.1 NMSA 1978 Comp. the local public body finance official shall notify and make such available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the State Treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

The local public body finance official shall specify the length of time each deposit shall be in the State Treasurer's short-term investment fund, but in any event the deposit shall not be made for more than one hundred eighty-one days.

The Governmental Accounting Standards Board has issued its Statement #40, which requires deposits and investments to be classified into categories of risk. The categories of risk are discussed below.

--Interest Rate Risk – The risk that modifications in the interest rate will unfavorably impact the fair value of an investment. The Town of Vaughn has a limited exposure to interest rate risk as only a small amount of funds are invested in interest bearing accounts.

-- Concentration of Credit Risk – The exposure which comes from having all funds located in one financial institution or all funds invested in similar investments with similar economic characteristics that would be similarly affected by changes in economic or other conditions. The Town of Vaughn is exposed to concentration of credit risk in that the majority of funds are held in one financial institution.

-- Custodial Credit Risk – The risk that in the event of failure of a depository institution, a government will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Once again, the Town of Vaughn is exposed to custodial credit risk because almost all cash is held in one financial institution which also holds the securities which collateralize the accounts.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

3. DEPOSITS AND INVESTMENTS, continued

At June 30, 2006, the carrying amount of the Town Of Vaughn's deposits (excluding \$145,297 cash with paying agent) was \$847,250 and the bank balances were \$867,680. The deposits are held at Wells Fargo Bank. All accounts are carried at cost.

In accordance with Section 6-10-7, NMSA, 1978 Compilation, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation insurance coverage. The following schedules show the bank balances which are held by the banks which act as depositories.

Wells Fargo Bank:	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand Deposits	\$ 860,903	\$ 840,473
Certificates of deposit	<u>6,777</u>	<u>6,777</u>
	<u>867,680</u>	<u>847,250</u>
FDIC Coverage		<u>100,000</u>
Uninsured balance		\$ 747,250
Collateralization required at 50%		\$ 373,625
Collateral held at Wells Fargo Trust		<u>903,701</u>
Over (under) collateralization requirement		<u>\$ 530,076</u>

The pledged securities are held by Wells Fargo Trust Department in San Francisco in favor of the Town Of Vaughn. However, the securities are held in the name of Wells Fargo Bank.

Four trust accounts exist with the New Mexico Finance Authority and Bank of Albuquerque. The Town is not required to independently collateralize these accounts. The total amount held at these institutions at June 30, 2006 was \$145,297.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

4. ACCOUNTS RECEIVABLE

The accounts receivable of the Town of Vaughn, by fund type, at June 30, 2006 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Taxes:			
Locally assessed	\$	2,779	
State shared	51,640		498
Customer utility accounts			24,643
Grants		252,456	
Other	8,272		
	<u>59,912</u>	<u>255,235</u>	<u>25,141</u>
Less: Allowance for doubtful accounts			1,500
	<u>\$ 59,912</u>	<u>255,235</u>	<u>23,641</u>

Except as noted, all amounts are considered collectable at June 30, 2006. Utility customer receivables are presented net of an allowance for doubtful accounts of \$1,500 as shown above.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

5. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 198,252			198,252
Construction in progress	93,091	125,000	93,091	125,000
Total	<u>291,343</u>	<u>125,000</u>	<u>93,091</u>	<u>323,252</u>
Capital assets being depreciated:				
Land improvements	141,901	1,619,968		1,761,869
Buildings	1,107,965	175,367		1,283,332
Machinery & equipment	52,751	27,934		80,685
Vehicles	493,750	-		493,750
Total	<u>1,796,367</u>	<u>1,823,269</u>	<u>-</u>	<u>3,619,636</u>
Less accumulated depreciation for:				
Land improvements	2,601	2,601		5,202
Buildings	765,384	16,890		782,274
Machinery & equipment	21,206	4,805		26,011
Vehicles	182,669	27,105		209,774
Total	<u>971,860</u>	<u>51,401</u>	<u>-</u>	<u>1,023,261</u>
Total capital assets being depreciated, net	<u>824,507</u>	<u>1,771,868</u>	<u>-</u>	<u>2,596,375</u>
Governmental activities, capital assets, net	<u>\$ 1,115,850</u>	<u>1,896,868</u>	<u>93,091</u>	<u>2,919,627</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

5. CAPITAL ASSETS, continued

The following is a summary of changes in capital assets during the fiscal year:

	Balance <u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2006</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 19,203			19,203
Construction in progress	160,559		160,559	-
Total	<u>179,762</u>	<u>-</u>	<u>160,559</u>	<u>19,203</u>
Capital assets being depreciated:				
Buildings	34,159			34,159
Underground Lines	3,719,339	627,999		4,347,338
Machinery & equipment	411,714			411,714
Total	<u>4,165,212</u>	<u>627,999</u>	<u>-</u>	<u>4,793,211</u>
Less accumulated depreciation for:				
Buildings	4,488	1,486		5,974
Underground Lines	718,251	80,551		798,802
Machinery & equipment	187,703	30,294		217,997
Total	<u>910,442</u>	<u>112,331</u>	<u>-</u>	<u>1,022,773</u>
Total capital assets being depreciated, net	<u>3,254,770</u>	<u>515,668</u>	<u>-</u>	<u>3,770,438</u>
Business-type activities, capital assets, net	<u>\$ 3,434,532</u>	<u>515,668</u>	<u>160,559</u>	<u>3,789,641</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

5. CAPITAL ASSETS, Continued

	Balance <u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2006</u>
Business type activities:				
Component Unit:				
Capital assets being depreciated:				
Buildings	658,315			658,315
Machinery & equipment	8,016			8,016
Total	<u>666,331</u>	<u>-</u>	<u>-</u>	<u>666,331</u>
Less accumulated depreciation for:				
Buildings	240,470	19,750		260,220
Equipment	4,204	1,603		5,807
Total	<u>244,674</u>	<u>21,353</u>	<u>-</u>	<u>266,027</u>
Total capital assets being depreciated, net	<u>421,657</u>	<u>(21,353)</u>	<u>-</u>	<u>400,304</u>
Business-type activities, capital assets, net	<u>\$ 421,657</u>	<u>(21,353)</u>	<u>-</u>	<u>400,304</u>

There was no construction in progress at June 30, 2006 in the Housing Authority.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

5. CAPITAL ASSETS, continued

Depreciation expense was charged to functional programs of the primary government as follows:

Governmental activities:

General Government	\$	2,216
Public Safety		30,659
Health and Welfare		750
Public Works		3,665
Culture and Recreation		14,111
	\$	<u>51,401</u>

Business-type activities:

Solid Waste	\$	22,288
Water and Sewer		90,043
	\$	<u>112,331</u>

Depreciation was charged to the component unit as follows:

Housing Authority	\$	<u>21,353</u>
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6. PROPRIETARY FUND LONG-TERM DEBT

A. Changes in Long-Term Debt

The following is a schedule of the changes in proprietary fund long-term debt for the year ended June 30, 2006:

	Balance at June 30, 2005	Additions	Deletions	Balance at June 30, 2006	Current Portion
Note payable	\$ 582,328		16,852	565,476	16,919
Landfill closure costs	17,240	4,310		21,550	-
Compensated absences	11,622	1,953	1,414	12,161	8,548
	\$ <u>611,190</u>	<u>6,263</u>	<u>18,266</u>	<u>599,187</u>	<u>25,467</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

6. PROPRIETARY FUND LONG-TERM DEBT, continued

B. The following is a schedule of long-term debt principal, interest and charges on proprietary fund long-term debt.

Year Ended			Admin	
June 30	Principal	Interest	Fees	Total
2007	16,919	22,437	151	39,507
2008	16,997	22,189	121	39,308
2009	18,085	21,931	91	40,108
2010	18,183	21,564	61	39,808
2011	18,292	21,286	31	
2012-2029	477,000	448,000	-	925,000
Total	\$ 565,476	557,408	456	1,083,731

C. Closure and Post Closure Land Fill Costs

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The total liabilities for closure and post closure costs of \$21,550 at June 30, 2006 represent the cumulative amount reported to date based upon approximately 5% of the usable capacity of the landfill. The liability is based upon an estimate performed in March 2003. The estimated current year accrual of the future closure and post-closure care costs amounted to \$4,310.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

6. PROPRIETARY FUND LONG-TERM DEBT, continued

C. Closure and Post Closure Land Fill Costs, continued

The actual cost of closure and post closure care may be higher, of course, due to inflation, changes in technology or changes in:

The proprietary debt, as reflected on the Statement of Net Assets, is being paid from its major funds in the percentage shown below:

	<u>Solid Waste Fund (504)</u>	<u>Water/Sewer Fund (505)</u>	<u>Total Proprietary Debt</u>
NMFA Note payable	12%	88%	100%
Landfill closure and post closure care costs	100%		100%
Compensated absences	11%	89%	100%

7. GOVERNMENTAL LONG-TERM DEBT

A. Changes in Long-Term Debt

The following is a schedule of changes in governmental fund long-term debt for the year ended June 30, 2006.

	<u>Balance June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>	<u>Current Portion</u>
Notes payable	\$ 109,680	138,889	40,024	208,545	24,956
Accrued compensated absences	10,352	8,905	10,405	8,852	6,222
	<u>\$ 120,032</u>	<u>147,794</u>	<u>50,429</u>	<u>217,397</u>	<u>31,178</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

7. GOVERNMENTAL LONG-TERM DEBT, continued

B. Notes Payable

The Town entered into a note with New Mexico Finance Authority on July 21, 2000 in the amount of \$130,000 for the purchase of a fire truck. The note bears interest at rates ranging from 4.03% to 4.8% and also is subject to an administration fee of 0.25%. Annual payments range from \$14,991 to \$15,080 and are subject to an intercept agreement whereby the annual amount due the fire fund is reduced and submitted to New Mexico Finance Authority. The balance on the note was \$66,656 at June 30, 2006.

The Town entered into another note with New Mexico Finance Authority on February 20, 2004 in an amount of \$30,000 for the repair of the fire station roof. The note was paid off early during the 2006 fiscal year through legislative appropriation of funds.

The Town entered into a note with the New Mexico Finance Authority on March 8, 2006 in the amount of \$138,889 for the purchase of a fire truck to enhance the ability of the Town to fight brush fires. The note bears interest at rates ranging from 3.140% to 3.630% and is also subject an administration fee of 0.25%. Annual payments range from \$11,675 to \$15,205 and are subject to an intercept agreement whereby the annual amount due the fire fund is reduced and submitted to New Mexico Finance Authority. The balance on the note was \$138,889 at June 30, 2006.

Annual debt service requirements for the NMFA notes are as follows:

Year Ended			Admin	
June 30	Principal	Interest	Fees	Total
2007	24,956	4,583	551	30,091
2008	26,767	1,264	194	28,225
2009	27,306	975	152	28,433
2010	27,873	667	110	28,650
2011	28,466			
2012-2016	73,177	3,842	556	77,575
Total	\$ 208,545	11,332	1,563	192,974

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

8. ACCRUED COMPENSATED ABSENCES

The Town allows for the accrual and payment of annual leave. Annual leave is awarded at a rate of two weeks per year for all employees who work five eight hour days in a regular workweek. Upon termination or retirement an employee will be paid for unused vacation at his / her final rate of pay.

Accrued compensated absences of the governmental funds have been recorded pursuant to GASB 16 and appear on the statement of net assets as follows:

Governmental Funds:	Current Portion	Non-current Portion	Total
General Fund	\$ 3,688	1,559	5,247
Seniors Fund	2,534	1,071	3,605
	<u>\$ 6,222</u>	<u>2,630</u>	<u>8,852</u>

The governmental debt, as reflected on the Statement of Net Assets, is being paid from the following major and non major funds in the percentages shown below:

	Major		Non-Major Fund	Total
	General Fund (101)	Senior Fund (219)	Debt Service (301)	
NMFA Notes payable			100%	100%
Compensated absences	59%	41%		100%

9. TAXES

A. Property Taxes

The Town receives property taxes from the Guadalupe County Treasurer for operational purposes. Property taxes are assessed on January 1 of each year, except on livestock, and are payable in two equal installments on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Unpaid property taxes are deemed delinquent 30 days after their due date. Taxes on real property are a lien against the property from January 1 of the year for which the taxes are imposed.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

9. TAXES, continued

A. Property Taxes, continued

Tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law, and for general operating purposes. However, at June 30, 2006 the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2006 were as follows:

	Residential	Non-Residential	These are tax rates applied to each \$1,000 of property value taxable by the Town
General Operating	5.872	.765	

Property tax revenues amounted to \$ 44,428 for the fiscal year ended June 30, 2006.

B. Business Licenses

Under Chapter 3, Article 38 NMSA 1978, the Town, by passage of an ordinance, authorized the assessment of a registration fee equal to \$35 per annum for all businesses within the jurisdiction of the Town. During the fiscal year ended June 30, 2006, the Town collected \$875 in business license fees.

C. Motor Vehicle Registration Fees

Under the provisions of Chapter 66, Article 6 NMSA 1978 the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, a portion is disbursed to the various incorporated municipalities based upon the total assessed valuation a qualified municipality bears to the total assessed valuation of all the qualified municipalities within the county. Under Section 66-6-23, the various qualified cities in the State of New Mexico share 9.4 percent of the total fees collected (10 percent distribution). In addition, an amount equal to 14.1 percent of the total fees collected are allocated between the various counties, towns, and incorporated municipalities within the county in the same proportion that the receipts from general property taxes, other than taxes for state purposes, receipts from general property taxes received by the county treasurer for the year in which such distribution is to be made, are so distributed in such county between said town and said incorporated municipalities within the county. In the counties wherein are located municipalities incorporated, organized and operating under special accounts, the allocation shall be in the proportion that the receipts from general property taxes in said municipalities bear to the total receipts from general property taxes

9. TAXES, continued

C. Motor Vehicle Registration Fees, continued

other than taxes for state purposes received by the county treasurers and the collectors of said municipalities in the year in which said allocation is to be made. For the purpose of effecting an equitable allocation in counties wherein are located municipalities incorporated, organized and operating under special act, the local government division shall compute a hypothetical figure representing the municipality's proceeds from the property tax based on the figure arrived at by the county assessor as the evaluation of real property within the municipality, the assessment ratio used in that county and the highest mill levy approved by the local government division for any other municipality in the state (15 percent distribution).

The Town earned \$3,851 in motor vehicle registration fees for the year ended June 30, 2006.

D. Excise Tax on Cigarettes

For the privilege of selling, giving or consuming cigarettes in New Mexico, there is levied an excise tax at the rate of ten and one half cents (\$. 105) for each ten cigarettes or fraction thereof sold, given or consumed in New Mexico. The taxes collected due to the provision of Chapter 7, Article 12, paragraph 3 NMSA 1978 (as paraphrased above) are distributed to the State General Fund and the various counties and municipalities as follows:

State General Fund	.075
County and Municipality Recreation Fund	.010
County and Municipality Cigarette Tax Fund	<u>.020</u>
	<u>.105</u>

Taxes deposited into the County and Municipality Recreation Fund are distributed to the various counties and municipalities and are restricted to usage as follows:

1. To each county in the proportion that the sales of cigarettes made within the county borders, exclusive of sales within any municipality in that county, bears to the total sales of cigarettes in the state during such month; and
2. To each municipality in the proportion that the sales of cigarettes made within the municipality during such month bears to the total sales of cigarettes in the state of such month.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

9. **TAXES, continued**

D. **Excise Tax on Cigarettes, continued**

The funds distributed to the counties and municipalities under this section shall be used for recreational facilities and salaries of instructors and other employees necessary to the operation of such facilities. Such recreational facilities shall be for the use of all persons, and juveniles and elderly persons shall not be excluded.

Each county or municipality shall establish a fund to be known as the "recreational fund" into which all monies received from the County and Municipality Recreational Fund shall be deposited. As used in this section, "juvenile" means every person under the age of majority and "elderly" means every person over the age of sixty years. Taxes deposited into the County and Municipality Cigarette Tax Fund are distributed to the various counties and municipalities in the same manner as the County and Municipality Recreation Fund; however, the taxes so distributed shall be deposited in the general fund of such counties and municipalities, provided the cigarette tax revenues distributed under the provision of this section shall not be earmarked or otherwise obligated under the terms or provision of any prior law, prior local ordinance or prior bond agreement which pledges cigarette tax revenues for the payment of any principal or interest of revenue bonds issued pursuant to such prior law, prior local ordinance or prior bond agreement.

During the year ended June 30, 2006, the Town received distributions of cigarette taxes in the amount of \$1,634 in the general fund and \$734 in the recreation fund for a total of \$2,368 in cigarette taxes..:

E. **Gasoline Tax**

The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposes an excise tax of \$.17 on each gallon of gasoline received in New Mexico. Of the total gasoline taxes received, a portion is distributed to the various municipalities within the state pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978. Distributions of gasoline taxes received pursuant to Chapter 7, Article 1-6.9 must be deposited into a separate road fund for expenditures only for construction, reconstruction, resurfacing or other improvements or maintenance of public roads, streets, alleys or bridges, including right-of-way and materials acquisition. The distribution may also be used to provide matching funds for projects subject to cooperative agreements entered into with the State highway and transportation department pursuant to section 67-3-28 1978

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

9. TAXES, continued

E. Gasoline Tax, continued

Any municipality or II class county that has created or that creates a "street improvement fund" to which gasoline tax revenues or distributions are irrevocably pledged under Section 3-34-1 Through 3-34-4 NMSA 1978 or that has pledged all or a portion of gasoline tax revenues or distributions to the payment of bonds shall receive its proportion of the distribution of revenues under this section impressed with and subject to these pledges.

Distributions of gasoline taxes received pursuant to Chapter 7, Article 1-6.27 shall be used for the following purposes:

- (1) Reconstructing, resurfacing, maintaining, repairing, or otherwise improving existing alleys, streets, roads or bridges, or any combination of the foregoing, or laying of, opening, constructing or otherwise acquiring new alleys, streets, roads or bridges, or any combination of the foregoing, provided that any of the foregoing improvements may include but are not limited to, the acquisition of rights of way
- (2) To provide matching funds for projects subject to cooperative agreements with the state highway and transportation department pursuant to Section 67-3-28 NMSA 1978, and
- (3) for expenses of purchasing, maintaining and operating transit operations and facilities for the operation of a transit authority established by the municipal transit law and for the operation of a vehicle emission inspection program. A municipality may engage in the business of the transportation of passengers and property within the political subdivision by whatever means the municipality may decide and may acquire cars, trucks, motor buses and other equipment necessary for operating the business. A municipality may acquire land, erect buildings and equip the buildings with all the necessary machinery and facilities for the operation, maintenance, modification, repair and storage of the cars, trucks, motor buses and other equipment needed. A municipality may do all things necessary for the acquisition and the conduct of the business of public transportation.

During the fiscal year ended June 30, 2006, the Town earned \$32,479 in gasoline tax distributions.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

9. TAXES, continued

F. Municipal Gross Receipts Tax

Under authority of Chapter 7, Articles 19, 19A and 19D, NMSA 1978, the Town adopted gross receipts taxing through ordinances. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Town after deducting certain administrative costs. During the year ended June 30, 2006, the Town earned taxes in the amounts shown below which were imposed under the above stated authorities.

Fund	Amount
General Fund:	
Town gross receipts tax	\$ 93,820
Solid Waste Fund:	
Environmental gross receipts tax	<u>21,350</u>
	<u>\$ 115,170</u>

G. State Gross Receipts Tax

Under authority of Chapter 7, Article 1, NMSA 1978, the State of New Mexico imposes a gross receipts tax on all business within the State. Of the total collected, 1.35 percent of the taxable gross receipts is distributed to the municipality reporting the taxable receipts. During the year ended June 30, 2006, the Town earned \$112,128 from the State under the above stated authority.

10. RETIREMENT PLAN

The employees of the Town have elected not to be covered under the Public Employee's Retirement Association – a New Mexico Public Retirement system available to Town employees.

11. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The employees of the Town have elected not to participate under the Retiree Health Care Act. This plan would have provided health care benefits to Town employees upon retirement.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool. Listed below is a summary of insurance coverage in force for the fiscal year ended June 30, 2006:

Workers' Compensation

a. Name and address of insurance agent:	New Mexico Self-Insurers' Fund
b. Policy number:	1920W
c. Amount of coverage:	Unlimited
d. Expiration date:	06/30/2006
e. Premium:	\$5,874

Property

a. Name and address of insurance agent:	St. Paul Insurance
b. Policy number:	GP09309552
c. Amount of coverage:	Replacement cost
d. Expiration date:	11/03/06
e. Premium:	\$ 1,237

Auto Liability

a. Name of insurance agent:	St. Paul Insurance
b. Policy number:	GP09309552
c. Amount of coverage:	Tort limits
d. Expiration date:	11/03/06
e. Premium:	\$18,820

General Liability

a. Name of insurance agent:	St. Paul Insurance
b. Policy number:	GP09309552
c. Amount of coverage:	Tort limits
d. Expiration date:	11/03/06
e. Premium	\$11,398

The premium amount of \$10,000 for the Workers' Compensation policy is subject to an audit that normally increases or decreases the premium according to the actual payroll expense upon which the premium had been estimated.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts.

At June 30, 2006, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NOTES TO THE BASIC FINANCIAL STATEMENTS, continued
June 30, 2006

13. BUDGET AUTHORITY EXCEEDED

The Town overspent its budget authority in the following funds in the amounts indicated. As explained in Note I.E.G., expenditures may not exceed the budget at the fund level.

<u>Name</u>	<u>Number</u>	<u>Overspent Amount</u>
EMS Fund	206	\$ 79
Senior Citizen Fund	219	1,369
Cemetery Fund	299	100
Airport Project Fund	409	64,209
Solid Waste Fund	504	24,988
Solid Waste Fund	505-705	43,463

Management and the Town Council intends to monitor budgets and budget authority more closely in the future.

14. GASB 34 RECONCILIATION

Pursuant to New Mexico State Auditor's Rule 2.2.2.10.CC(1) below is the reconciliation between the ending fund equity at June 30, 2005 to the beginning of the year net assets as presented in the Statement of Net Assets (Exhibit 2).

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Total fund equity at June 30, 2005	\$ 562,702	2,737,823
Reconciling items:		
Capital assets, net	1,115,650	
Deferred Income	4,714	
Notes payable	(109,680)	
Compensated absences	(8,625)	
Interest Payable	(344)	
Net assets, beginning of year - Exhibit B	<u>\$ 1,564,417</u>	<u>2,737,823</u>

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF VAUGHN
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2006

NON-MAJOR SPECIAL REVENUE FUNDS

Corrections - To establish an additional source of funds to municipalities to offset the costs of corrections. The source of funds is a five dollar fee which must be paid by all persons violating laws relating to the operations of a motor vehicle. Funding is authorized by NMSA 33-9-3.

E.M. S. - To account for the acquisition of emergency medical equipment and the operation of the equipment financed through a grant from the State of New Mexico. Funding is authorized by NMSA 24-10A-1.

Fire Protection - To account for the operations and maintenance of the fire department. The operations are financed by an allotment from the annual fire grant from the State of New Mexico. Funding is authorized by NMSA 59A-53-2.

Law Enforcement - To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Funding is authorized by NMSA 29-13-1 and 29-13- 4.

Recreation - To account for the operation and maintenance of recreational facilities in the Town. Funding is provided by a specific annual cigarette tax levy. Funding is authorized by NMSA 7-12-1 & 7-12-15.

Cemetery - To account for revenue from sale of lots and donations to be used for cemetery improvements. Funding is authorized by NMSA 58-17-4.

Ambulance - To account for grant funds received from County and State sources for development of an EMS system within the County. Funding is authorized by NMSA 24-10A-1.

NON-MAJOR DEBT SERVICE FUND

The Debt Service Fund is used to accumulate monies for payment of interest and principal due on general obligation bonds.

NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Improvements - To account for construction costs of capital improvements made by the Town.

Airport Project - To account for the planning phase to the Vaughn Municipal Airport. Funding is provided by Federal and State grants as well as transfers of local source revenues from other funds. The Federal grant is received from the U.S. Department of Transportation, Federal Aviation Administration, pursuant to Public Law 103-272 as amended by Public Law 103-260 and Public Law 103-305. The State grant is received from the New Mexico State Highway and Transportation Department.

STATE OF NEW MEXICO
TOWN OF VAUGHN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

SPECIAL REVENUE FUNDS

	Fund 201	Fund 206	Fund 211 Law Enforcement Fund	Fund 217 Recreation Fund	Fund 219 Senior Citizens Fund	Fund 299 Cemetery Fund	Fund 509 Ambulance Fund	Total Non-Major Special Revenue Funds
Cash and Investments	4,192	3,760	16,679	8,153	22,432	6,108	22,353	83,677
Cash with paying agent	-	-	-	-	-	-	-	-
Taxes and accounts receivable	-	-	-	-	4,539	-	-	4,539
Due from other funds	-	-	-	-	148	-	-	148
Prepaid Insurance	-	1,331	-	-	-	-	-	1,331
Total Assets	<u>4,192</u>	<u>5,091</u>	<u>16,679</u>	<u>8,153</u>	<u>27,119</u>	<u>6,108</u>	<u>22,353</u>	<u>89,695</u>

LIABILITIES AND FUND BALANCE

Liabilities:								
Accounts payable	-	43	-	19	1,795	-	70	-
Accrued salaries & benefits	-	-	-	-	2,534	-	1,704	1,927
Accrued compensated absences	-	3,599	-	-	1,713	-	1,774	2,534
Due to other funds	-	-	-	19	6,042	-	-	7,016
Total Business-Type Activities	<u>-</u>	<u>3,642</u>	<u>-</u>	<u>19</u>	<u>6,042</u>	<u>-</u>	<u>1,774</u>	<u>11,477</u>
Fund balances:								
Statutory reserve	-	-	-	-	-	-	-	-
Reserved for subsequent years expenditures	-	-	-	-	-	-	-	-
Reserved for prepaid insurance	-	-	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	-
Unreserved - undesignated	4,192	1,449	16,679	8,134	21,077	6,108	20,579	78,218
Total fund balance	<u>4,192</u>	<u>1,449</u>	<u>16,679</u>	<u>8,134</u>	<u>21,077</u>	<u>6,108</u>	<u>20,579</u>	<u>78,218</u>
Total liabilities and fund balance	<u>\$ 4,192</u>	<u>\$ 5,091</u>	<u>\$ 16,679</u>	<u>\$ 8,153</u>	<u>\$ 27,119</u>	<u>\$ 6,108</u>	<u>\$ 22,353</u>	<u>\$ 89,695</u>

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET, continued
June 30, 2006

	DEBT SERVICE FUND		CAPITAL PROJECT FUND		Total Non-major Special Revenue Funds		Total Non-major Funds	
	Fund	Fund	Fund	Project	Revenue	Revenue	Non-major	Non-major
	301	409	Project	Project	Revenue	Revenue	Funds	Funds
Cash and Investments	-	16,821	-	-	83,677	-	100,498	1,641
Cash with paying agent	1,641	-	247,917	-	4,539	-	252,456	1,641
Taxes and accounts receivable	-	-	3,454	-	148	-	3,602	-
Due from other funds	-	-	-	-	1,331	-	1,331	-
Prepaid insurance	-	-	-	-	89,695	-	89,695	-
	<u>1,641</u>	<u>268,192</u>	<u>268,192</u>	<u>268,192</u>	<u>89,695</u>	<u>89,695</u>	<u>359,528</u>	<u>359,528</u>

ASSETS

Assets:

Accounts payable	-	268,192	-	-	268,192	-	268,192	-
Accrued salaries & benefits	-	-	-	-	1,927	-	1,927	-
Accrued compensated absences	-	-	-	-	2,534	-	2,534	-
Due to other funds	-	-	-	-	7,016	-	7,016	-
	<u>-</u>	<u>268,192</u>	<u>268,192</u>	<u>268,192</u>	<u>11,477</u>	<u>11,477</u>	<u>279,669</u>	<u>279,669</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Statutory reserve	-	-	-	-	-	-	-	-
Reserved for subsequent years expenditures	-	-	-	-	-	-	-	-
Reserved for prepaid insurance	-	-	-	-	-	-	-	-
Reserved for debt service	1,641	-	-	-	-	-	1,641	-
Unreserved - undesignated	-	-	-	-	78,218	-	78,218	-
Total fund balance	<u>1,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,218</u>	<u>78,218</u>	<u>79,859</u>	<u>79,859</u>
Total liabilities and fund balance	<u>1,641</u>	<u>268,192</u>	<u>268,192</u>	<u>268,192</u>	<u>89,695</u>	<u>89,695</u>	<u>359,528</u>	<u>359,528</u>

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements
STATEMENT 1, continued

STATE OF NEW MEXICO
TOWN OF VAUGHN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the year ended June 30, 2006

SPECIAL REVENUE FUNDS

	Fund 201	Fund 206	Fund 211	Fund 217	Fund 219	Fund 299	Fund 509	Total Non-Major
Revenues:								
Taxes - Other				734	75,352			734
Intergovernmental - state		7,300	20,600		2,747			103,252
Miscellaneous local sources	64			2,524		335		32,659
Total revenues	64	7,300	20,600	3,258	78,099	335		136,645
Expenditures:								
Current								
Public safety		8,580	3,072					19,013
Health and Welfare								100
Culture and recreation				1,424	76,066			77,490
Non-Current:								
Debt Service:								
Principal								
Interest and fiscal charges								
Capital outlay								
Total Business-Type Activities	-	8,580	3,072	1,424	76,066	100		96,603
Revenues over (under) expenditures	64	(1,280)	17,528	1,834	2,033	235		40,042
Other financing sources (uses):								
Proceeds from loan								-
Operating transfers in								-
Operating transfers out								-
Net change in fund balances	64	(1,280)	17,528	1,834	2,033	235		40,042
Fund balance, beginning of year	4,128	2,729	(848)	6,300	19,045	5,873		38,177
Residual equity transfer	4,192	1,449	16,680	8,134	21,078	6,108		78,219

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements
STATEMENT 2

STATE OF NEW MEXICO
TOWN OF VAUGHN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE, continued
For the year ended June 30, 2006

	DEBT SERVICE FUND		CAPITAL IMPROVEMENT FUND		Total Non-Major		Total Non-Major	
	FUND 301	FUND 409	Total Non-Major	Total Non-Major	Special Revenue Funds	Total Non-Major Funds	Total Non-Major Funds	
Revenues:								
Taxes - other						734	734	
Intergovernmental - state		76,445	76,445		103,252	179,697		
Federal grants		1,538,725	1,538,725			1,538,725		
Miscellaneous local sources	446		446		32,659	33,105		
Total revenues	446	1,615,170	1,615,616		136,645	1,752,261		
Expenditures:								
Current								
Public safety						19,013	19,013	
Health and Welfare						100	100	
Culture and recreation						77,490	77,490	
Non-Current:								
Debt Service:								
Principal	40,024		40,024		-	40,024		
Interest and fiscal charges	2,001		2,001		-	2,001		
Capital outlay		1,619,993	1,619,993			1,619,993		
Total expenditures	42,025	1,619,993	1,662,018		96,603	1,758,621		
Revenues over (under) expenditures	(41,579)	(4,823)	(46,402)		40,042	(6,360)		
Other financing sources (uses):								
Proceeds from loan	42,026	4,823	46,849			46,849		
Operating transfers in	42,026	4,823	46,849			46,849		
Operating transfers out	447	-	447			447		
Net change in fund balances	1,194	-	1,194		40,042	40,489		
Fund balance, beginning of year	1,194	-	1,194		38,177	39,371		
Residual equity transfer	1,641	-	1,641		78,219	79,860		

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements
STATEMENT 2, continued

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
EMS FUND - FUND 206
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Intergovernmental - State	\$ 5,000	7,300	7,300	2,300	-
Miscellaneous local sources			-		-
	<u>5,000</u>	<u>7,300</u>	<u>7,300</u>	<u>2,300</u>	<u>-</u>
Expenditures:					
Public Safety:					
Current:					
Operating expenses	5,000	8,501	8,580	3,580	(79)
Non-Current:					
Capital outlay	-	-	-	-	-
	<u>5,000</u>	<u>8,501</u>	<u>8,580</u>	<u>3,580</u>	<u>(79)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,201)</u>	<u>(1,280)</u>	<u>(1,280)</u>	<u>79</u>
Cash Balance Forward	\$ <u>1,872</u>	<u>1,872</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATEMENT 3

STATE OF NEW MEXICO
TOWN OF VAUGHN
LAW ENFORCEMENT - FUND 211
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Revised		Original Budget To Final	Actual to Final Budget
Revenue:					
Intergovernmental - State	\$ 20,600	20,600	20,600	-	-
Miscellaneous local sources					-
Total revenue	<u>20,600</u>	<u>20,600</u>	<u>20,600</u>	<u>-</u>	<u>-</u>
Expenditures:					
Public Works					
Current:					
Salaries and benefits					-
Operating expenses	20,600	20,600	3,072	-	17,528
Non-Current:					
Capital outlay					-
	<u>20,600</u>	<u>20,600</u>	<u>3,072</u>	<u>-</u>	<u>17,528</u>
Revenues over (under) expenditures	\$ <u>-</u>	<u>-</u>	<u>17,528</u>	<u>-</u>	<u>17,528</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
RECREATION FUND - FUND 217
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Intergovernmental - State	\$ 1,148	1,095	734	(414)	(361)
Miscellaneous local sources	5,000	5,000	2,524	(2,476)	(2,476)
	<u>6,148</u>	<u>6,095</u>	<u>3,258</u>	<u>(2,890)</u>	<u>(2,837)</u>
Expenditures:					
Culture and Recreation					
Current:					
Personal services	4,048	4,000	10	(4,038)	3,990
Operating expenses	2,100	2,095	1,414	(686)	681
	<u>6,148</u>	<u>6,095</u>	<u>1,424</u>	<u>(4,724)</u>	<u>4,671</u>
Revenues over (under) expenditures	\$ -	-	1,834	1,834	1,834
Budgetary notation - cash appropriated from prior year	\$ 6,125	6,125			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
STATEMENT OF REVENUES AND EXPENDITURES
BUDGETED AND ACTUAL (NON-GAAP BASIS)
SENIOR CITIZENS - FUND 219
For the year ended June 30, 2006

	Budgeted Amounts		Actual		Variances	
	Original	Revised	GAAP	Basis	Positive (Negative)	
					Original Budget To Final	Actual to Final Budget
Revenue:						
Intergovernmental - Federal				22,800		22,800
Intergovernmental - State	74,697	74,697		52,552		(22,145)
Miscellaneous local sources	-	-		2,747		2,747
Total revenue	<u>74,697</u>	<u>74,697</u>		<u>78,099</u>	<u>-</u>	<u>3,402</u>
Expenditures:						
Culture and Recreation:						
Current:						
Personal Services	45,137	45,137		47,036	-	(1,899)
Operating expenses	29,560	29,560		29,030	-	530
Non-Current:						
Capital Outlay	-	-		-	-	-
	<u>74,697</u>	<u>74,697</u>		<u>76,066</u>	<u>-</u>	<u>(1,369)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>		<u>2,033</u>	<u>-</u>	<u>2,033</u>
Budgetary notation - cash appropriated from prior year	<u>\$ 9,997</u>	<u>9,997</u>				

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
CEMETERY FUND - FUND 299
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Miscellaneous local sources	\$ 500	500	335	-	(165)
	<u>500</u>	<u>500</u>	<u>335</u>	<u>-</u>	<u>(165)</u>
Expenditures:					
Health and Welfare:					
Current:					
Operating expenses	-	-	100	-	100
	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Revenues over (under) expenditures	\$ <u>500</u>	<u>500</u>	<u>235</u>	<u>-</u>	<u>6,108</u>
Budgetary notation - cash appropriated from prior year	\$ <u>5,873</u>	<u>5,873</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
AMBULANCE FUND - FUND 509
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Miscellaneous local sources	\$ 7,131	29,227	26,989	(22,096)	(2,238)
	<u>7,131</u>	<u>29,227</u>	<u>26,989</u>	<u>(22,096)</u>	<u>(2,238)</u>
Expenditures:					
Public Safety:					
Current:					
Personnel services	6,771	6,771	3,192	-	3,579
Operating expenses	360	360	4,169	-	(3,809)
Non-Current:					
Capital outlay	-	22,096	-	(22,096)	22,096
	<u>7,131</u>	<u>29,227</u>	<u>7,361</u>	<u>(22,096)</u>	<u>21,866</u>
Revenues over (under) expenditures	-	-	19,628	-	(24,104)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ #REF!	#REF!	#REF!	#REF!	#REF!
Budgetary notation - cash appropriated from prior year	\$ <u>2,654</u>	<u>2,654</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
DEBT SERVICE FUND - FUND 301
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Miscellaneous local sources	\$ -	-	446	-	446
	<u>-</u>	<u>-</u>	<u>446</u>	<u>-</u>	<u>446</u>
Expenditures:					
Non-current:					
Debt service:					
Principal payment	12,990	40,024	40,024	(27,034)	-
Interest payment	1,795	1,795	1,795	(0)	-
Agent fees	207	207	206	-	1
	<u>14,992</u>	<u>42,026</u>	<u>42,025</u>	<u>(0)</u>	<u>1</u>
Revenues over (under) expenditures	<u>(14,992)</u>	<u>(42,026)</u>	<u>(41,579)</u>	<u>0</u>	<u>(83,605)</u>
Other financing sources (uses):					
Operating transfer in	14,092	14,092	42,026		(27,934)
	<u>14,092</u>	<u>14,092</u>	<u>42,026</u>	<u>-</u>	<u>(27,934)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(900)</u>	<u>(27,934)</u>	<u>447</u>	<u>0</u>	<u>(27,487)</u>
Budgetary notation - cash appropriated from prior year	\$ <u>1,194</u>	<u>1,194</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SPECIAL REVENUE FUND
AIRPORT PROJECT - FUND 409
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual		Variances	
	Original	Revised	GAAP	Basis	Positive (Negative)	
					Original Budget To Final	Actual to Final Budget
Other Financing Sources						
Federal grants	\$ -	1,555,694	1,538,725		(1,555,694)	(16,969)
State capital outlay grant	-		76,445		-	76,445
Transfers in			4,823		-	4,823
	<u>-</u>	<u>1,555,694</u>	<u>1,619,993</u>		<u>(1,555,694)</u>	<u>64,299</u>
Expenditures:						
Public Works						
Non-Current:						
Capital outlay	-	1,555,694	1,619,993		(1,555,694)	(64,299)
	<u>-</u>	<u>1,555,694</u>	<u>1,619,993</u>		<u>(1,555,694)</u>	<u>(64,299)</u>
Revenues over (under) expenditures	\$ <u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>128,598</u>

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
PROPRIETARY FUNDS
SOLID WASTE - FUND 504
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Operating grants	\$ 2,372	2,372		-	(2,372)
Sales and services	40,621	40,621	33,160	-	(7,461)
State Environmental GRT	-	-	21,350		
Other Local Sources	-	-	-	-	-
	<u>42,993</u>	<u>42,993</u>	<u>54,510</u>	<u>-</u>	<u>11,517</u>
Expenses					
Current					
Personnel services	15,025	12,000	18,145	(3,025)	(6,145)
Operating expenses	11,997	11,997	43,248	-	(31,251)
Non-Current:					
Debt Service					
Interest and fiscal charges			-	-	-
Capital outlay	12,408	12,408		-	12,408
	<u>39,430</u>	<u>36,405</u>	<u>61,393</u>	<u>(3,025)</u>	<u>(24,988)</u>
Revenues over (under) expenditures	<u>3,563</u>	<u>6,588</u>	<u>(6,883)</u>	<u>(3,025)</u>	<u>(13,471)</u>
Other financing sources (uses):					
Interest earned			258		
Interest & fiscal charges			(373)		
Operating transfers in			2,362		
Operating transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,247</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>3,563</u>	<u>6,588</u>	<u>(4,636)</u>	<u>(3,025)</u>	<u>(11,224)</u>
Budgetary notation - cash appropriated from prior year	\$ <u>62,393</u>	<u>62,393</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
PROPRIETARY FUNDS
SOLID WASTE - FUND 505-705
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (GAAP BASIS)
For the year ended June 30, 2006

	Budgeted Amount		Actual GAAP Basis	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue:					
State - Environmental GRT	\$ 1,683	1,683	-	-	(1,683)
Sales and service	177,338	177,338	292,246	-	114,908
Other	1,130	1,130	-	-	(1,130)
	<u>180,151</u>	<u>180,151</u>	<u>292,246</u>	<u>-</u>	<u>112,095</u>
Expenditures:					
Current					
Personnel services	103,741	103,741	91,385	-	12,356
Operating expenses	29,951	29,951	136,589	-	(106,638)
Fuel and power / utilities	75,666	75,666	40,881	-	34,785
Insurance	23,625	23,625	7,560	-	16,065
Taxes	-	-	-	-	-
Meter deposits	669	669	700	-	(31)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>233,652</u>	<u>233,652</u>	<u>277,115</u>	<u>-</u>	<u>(43,463)</u>
Revenues over (under) expenditures	<u>(53,501)</u>	<u>(53,501)</u>	<u>15,131</u>	<u>-</u>	<u>68,632</u>
Other financing sources (uses):					
Capital outlay grant	-	2,040,000	637,772	(2,040,000)	1,402,228
Interest income			133	-	(133)
Interest & fiscal charges			(18,428)	-	18,428
Operating Transfer in			26,013	-	(26,013)
Operating Transfer out			(2,362)	-	2,362
	<u>-</u>	<u>2,040,000</u>	<u>643,128</u>	<u>(2,040,000)</u>	<u>1,396,872</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (53,501)</u>	<u>1,986,499</u>	<u>658,259</u>	<u>(2,040,000)</u>	<u>1,465,504</u>
Budgetary notation - cash appropriated from prior year	<u>\$ 21,007</u>	<u>21,007</u>			

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF PLEDGED COLLATERAL
For the year ended June 30, 2006

<u>Security Type</u>	<u>Security Number</u>	<u>CUSIP Number</u>	<u>Fair Market Value</u>	<u>Maturity Date</u>
Wells Fargo				
Federal National Mortgage Association	281961	31368H3E0	\$ 4,349	05/01/2009
Federal National Mortgage Association	1846	313730053	3,652	08/01/2025
Federal National Mortgage Association	12609	313057002	631,569	11/01/2033
Federal National Mortgage Association	12390	314020050	151,055	05/01/2034
Ginnie Mae Mortgaged Backed Security	11695	363258036	7,629	10/15/2029
Ginnie Mae Mortgaged Backed Security	21678	362258630	25,751	02/15/2031
Ginnie Mae Mortgaged Backed Security	81285	362258M05	79,696	4/15/2031
			<u>\$ 903,701</u>	

SEE INDEPENDENT AUDITORS' REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF BANK DEPOSITORIES
June 30, 2006

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA 1978, as interpreted by the New Mexico State Auditor's Rule 2 NMAC 2.2. The schedule presents information related to each bank account held by the Town as of June 30, 2006 by bank:

<u>Bank Name</u>	<u>Account Name</u>	<u>Acct. Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo Bank						
Governmental Activities:						
	General Fund	1	\$ 165,401		10,460	154,941
	Airport Improvement Fund	1	16,821			16,821
	Local Government Correctional	3	4,192			4,192
	Health Services Grant	1	3,760			3,760
	Fire Fund	1	2,657		2,429	228
	Law Enforcement Protection	1	18,812		2,133	16,679
	Municipal Rd 10% Plate	1	370,632		93	370,539
	Juvenile Recreation Fund	1	8,303		150	8,153
	Senior Citizens Account	1	22,680		248	22,432
	Cemetery Fund	1	6,108			6,108
	Ambulance	1	22,521		168	22,353
	Total Governmental Activities		<u>641,887</u>	<u>-</u>	<u>15,681</u>	<u>626,206</u>
Business-type Activities:						
	Water & Sewer Operation / Maint.	1	99,167		4,101	95,066
	Water & Sewer Improvement	1	1			1
	Water & Sewer Improvement	1	21,025			21,025
	Landfill Account	1	70,335		624	69,711
	Meter Fund	1	13,309		24	13,285
	Water Department	3	6,777			6,777
	Total Business-type Activities		<u>210,614</u>	<u>-</u>	<u>4,749</u>	<u>205,865</u>
Housing Authority:						
	Housing Authority	1	14,316			14,316
	Housing Security Deposits	1	863			863
	Total Housing Authority:		<u>15,179</u>	<u>-</u>	<u>-</u>	<u>15,179</u>
	Total Wells Fargo Bank		<u>867,680</u>	<u>-</u>	<u>20,430</u>	<u>847,250</u>
Bank of Albuquerque						
BTA	Sewer & Water	4	3,693			3,693
GF	Fire Department Repairs	4	139,963			139,963
			<u>143,656</u>	<u>-</u>	<u>-</u>	<u>143,656</u>
New Mexico Finance Authority						
Paying Agent						
GF	50th Supp. Front End Loader	4	1,641			1,641
	Subtotal		<u>1,641</u>	<u>-</u>	<u>-</u>	<u>1,641</u>
Total all Accounts			<u>\$ 1,009,284</u>	<u>-</u>	<u>20,430</u>	<u>992,547</u>

- 1 Checking account
- 2 Savings Account
- 3 Certificate of Deposit
- 4 Trustee account

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF JOINT POWERS AGREEMENTS
For the year ended June 30, 2006

I	<u>Participants -</u>	Town of Vaughn and Vaughn Consolidated School District of Vaughn
	<u>Responsible for operations -</u>	Town of Vaughn
	<u>Description -</u>	The Town of Vaughn will assist the School District with road equipment and operators to undertake various School District improvement Projects.
	<u>Beginning and ending dates -</u>	April 13, 2005 to 03/31/06
	<u>Total estimated cost -</u>	Not Known
	<u>Town of Vaughn contributions -</u>	Road equipment and operators
	<u>Audit responsibility -</u>	Town of Vaughn
	<u>Fiscal agent -</u>	Town of Vaughn
	<u>Agency reporting revenues and Expenditures -</u>	Town of Vaughn
II	<u>Participants -</u>	Town of Vaughn (Vaughn) and Guadalupe County (County).
	<u>Responsible for operations -</u>	Vaughn and County.
	<u>Description -</u>	County is permitted disposal of solid waste at the Town's landfill.
	<u>Beginning and ending dates -</u>	June 22, 2004 until terminated.
	<u>Total estimated cost -</u>	Town will be compensated \$23.00 per ton of solid waste dumped.
	<u>Town of Vaughn contributions -</u>	Cubic yards at landfill
	<u>Audit responsibility -</u>	Town and County.
	<u>Fiscal agent -</u>	Town
	<u>Agency reporting revenues and Expenditures -</u>	Town and County.
III	<u>Participants -</u>	Town of Vaughn (Vaughn) and Guadalupe County (County).
	<u>Responsible for operations -</u>	Vaughn and County.
	<u>Description -</u>	Town of Vaughn will provide EMS and dispatch personnel
	<u>Beginning and ending dates -</u>	December 1, 2005 through June 30, 2006
	<u>Total estimated cost -</u>	Town will be compensated \$15 for the driver, \$30 to Santa Rosa, \$40 to Las Vegas and \$50 to Albuquerque or Roswell.
	<u>Town of Vaughn contributions -</u>	Equipment, EMS personnel, drivers and dispatch services
	<u>Audit responsibility -</u>	Town and County.
	<u>Fiscal agent -</u>	Town
	<u>Agency reporting revenues and Expenditures -</u>	Town and County.

SEE INDEPENDENT AUDITOR'S REPORTS
The Accompanying Notes Are An Integral Part Of These Financial Statements

**STATE OF NEW MEXICO
TOWN OF VAUGHN
June 30, 2006**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006**

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>		
<u>Direct:</u>		
Rural Utilities Services		
- Project Grants for Water System	10.854	\$ 637,772
<u>Indirect:</u>		
Cash in lieu of commodities	10.550	4,638
		<u>642,410</u>
 <u>Department of Health and Human Services</u>		
<u>Indirect:</u>		
Title III - B	93.044	8,460
Title III - C	93.045	9,580
Title III - D	93.043	122
		<u>18,162</u>
 <u>Department of Transportation</u>		
<u>Direct:</u>		
FAA Grant # 3-35-0509-004-2006		
Vaughn Municipal Airport	20.106	<u>1,538,725</u>
 Total		 <u>\$ 2,199,297</u>

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Vaughn and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: The municipality had the following loan balances outstanding at December 31, 2006. The loan balances outstanding which have continuing compliance requirements are also included in the federal expenditures presented in the schedule.

	<u>CFDA Number</u>	<u>Amount Outstanding</u>	<u>Included as Federal Expenditure on this Schedule</u>
USDA RUS Loan Program	10.854	<u>\$ 505,000</u>	<u>\$ -</u>

COMPLIANCE SECTION

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

Mr. Hector H. Balderas, State Auditor
Mr. Paul Madrid, Mayor
Members of the Town Council
Town of Vaughn
Vaughn, New Mexico

I have audited the financial statements of the governmental activities, the business-type activities, The discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, which collectively comprise the Town's basic financial statements and the financial statements of each of the non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and the non-major budgetary comparison statements of the Town of Vaughn (the "Town") as of and for the year ended June 30, 2006, and have issued my report thereon dated June 13, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Vaughn's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Vaughn's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the Town of Vaughn's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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

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Albuquerque, NM 87111

Internal Control over Financial Reporting, continued

I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

2006-01	Debt payoffs not recorded
2006-02	Missing cash receipts

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Vaughn's internal control. I considered the following significant deficiencies to be material weaknesses:

2006-01	Debt payoffs not recorded
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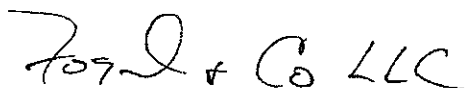
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vaughn's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, grants and 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Audit Standards* which are described in the accompanying schedule of findings and questioned costs as items:

2002-05	Debt Service Fund
2002-12	Timeliness of Audit Report
2002-25	Expenditures in Excess of Budget
2003-02	Fund Omitted from DFA Report
2003-09	Late Filing of Proposed Budget for Next Fiscal Year
2005-03	Housing Authority Inadequate Separation of Duties
2006-03	Management's Discussion and Analysis Not Included

This report is intended solely for the information and use of the Town Council, the New Mexico State Auditor, management and awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



FOGEL & CO., LLC
June 13, 2008

FOGEL & CO LLC

Accountants • Auditors • Consultants

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Albuquerque, NM 87111

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor
Mr. Paul Madrid Jr., Mayor
Members of the Town Council
Town of Vaughn
Vaughn, New Mexico

USDA-OIG-Audit
Southwest Region
Regional Inspector General
101 South Main, room 324
Temple, Texas 76501

Compliance

I have audited the compliance of the Town of Vaughn. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Town of Vaughn's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Town of Vaughn's management. My responsibility is to express an opinion on The Town of Vaughn's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 of Vaughn's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Town of Vaughn's compliance with those requirements.

In my opinion, the Town of Vaughn complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs. The results of my auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, Continued**

Internal Control Over Compliance

The management of the Town of Vaughn is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Vaughn's control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

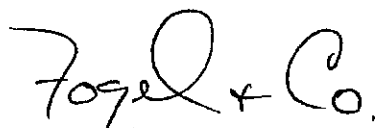
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Vaughn's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as designed above.

The Town of Vaughn's response to the finding identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Town of Vaughn's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of Town of Vaughn Town Council, Mayor, Office of the New Mexico State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those entities.



Fogel & Co., LLC
Albuquerque, New Mexico
June 13th, 2008

FINDINGS AND QUESTIONED COSTS

STATE OF NEW MEXICO
TOWN OF VAUGHN
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

The names of the major programs audited are:
USDA Rural Utility Services Grant CFDA # 10.854
FAA Grant # 3-35-0509-004-2006 Vaughn Municipal Airport CFDA 20.106

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The Town of Vaughn does not qualify as a low risk auditee.

Internal Control over major programs:

Material weakness identified? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Any audit findings disclosed that are required to be reported in accordance with OMB circular A-133, section 510(a)? yes no
See 2003-08, 2005-02 and 2005-03

Type of auditor's report issued on compliance for major programs: UNQUALIFIED

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2006

FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS

STATUS

Compliance:

2002-05	Debt Service Fund	Repeated
2002-12	Timeliness of Audit Report	Repeated
2002-25	Expenditures in Excess of Budget	Repeated
2003-02	Funds Omitted From DFA Quarterly Report	Repeated
2003-09	Late Filing of Proposed Budget for Next Fiscal Year	Repeated

Internal Control:

2003-08	Overpayment of Contract Amount	Resolved
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FEDERAL PROGRAM FINDINGS - COMPONENT UNIT

Compliance:

2002-14	Housing Authority Re-Certification Not Being Done	Resolved
2002-18	Housing Authority Rental Payment Amounts	Resolved
2002-23	Housing Authority Inspection	Resolved

Internal Control:

2002-24	Housing Authority Bank Reconciliation	Resolved
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CURRENT YEAR FINDINGS

Compliance:

2006-03	Management's Discussion and Analysis Not Included	
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Internal Control:

2006-01	Debt Payoff Not Recorded	
2006-02	Cash Receipts Missing	

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

FEDERAL PROGRAM FINDINGS - COMPONENT UNIT

Compliance:

Non Noted

Internal Control:

2005-03 Inadequate separation of duties

FEDERAL PROGRAM FINDINGS – TOWN OF VAUGHN

Program:

USDA - Rural Utility Services Grants
US Department of Transportation

Compliance

Non Noted

Internal Control:

Non Noted

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2002-05 DEBT SERVICE FUND

Statement of Condition:

The Town is not including in its reporting to the State of New Mexico Department of Finance and administration payments made to reduce debt and pay finance costs within its debt service fund.

Criteria:

The payments the Town is making on a fire truck and station improvements should be accounted for in a separate fund, a Debt Service Fund.

Effect:

All the financial activities of the Town are not being properly reported on their periodic quarterly reports.

Cause:

The staff of the Town were unaware of how to properly account for the retirement of the debt.

Recommendation:

The Town should properly account for the payments for the fire truck in a Debt Service Fund.

Response:

All intercept agreements will be reported in a Debt Service Fund on all Quarterly Reports to DFA

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2002-12 TIMELINESS OF AUDIT REPORT

Statement of Condition:

The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2007 The report is past due.

Criteria:

Governmental entities, agencies, and committees review the reports and prefer to do so in a timely manner. The SAO Rule, NMAC 2.2.2.9 A (1)(d) establishes a due date of December 1 for the audit reports of municipalities and their component units.

Effect:

The report has not been submitted as required by the State Auditor.

Cause:

The Independent Auditor has been unable to hire sufficient staff due to a lack of qualified accountants in the state and was unable to complete the fieldwork and assign staff to write the report in a manner that would allow compliance with the State Auditor's delivery date.

Recommendation:

The audit delivery date should be complied with.

Auditors' Response:

The Independent Auditor should comply with the State Auditor's delivery due date.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2002-25 EXPENDITURES IN EXCESS OF BUDGETS

Statement of Condition:

The Town of Vaughn's actual expenditures exceeded the budgeted authority in the following funds:

<u>Name</u>	<u>Number</u>	<u>Revised Budget</u>	<u>Actual Expenditures</u>	<u>Overspent Amount</u>
EMS Fund	206	\$ 8,501	8,580	79
Senior Citizen Fund	219	74,697	76,066	1,369
Cemetery Fund	299	-	100	100
Airport Project Fund	409	1,555,694	1,619,993	64,209
Solid Waste Fund	504	36,405	61,393	24,988
Solid Waste Fund	505-705	233,652	277,115	43,463

Criteria:

State Statute, 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority.

Effect:

Violation of State Statute and insufficient expenditure control.

Cause:

Necessary budget adjustments were not requested timely.

Recommendation:

Continue monitoring budgets and request needed budget adjustments in a timely manner.

Response:

Budget adjustment requests will be made in a timely manner and budget will be monitored more closely.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2003-02 FUNDS OMITTED FROM DFA QUARTERLY REPORT

Statement of Condition:

Quarterly reports to DFA did not include all Town funds required for the report. Activity for the Debt Service Fund 301 was not included in the Town's reports.

Criteria:

Quarterly reports to DFA must include all funds which the Town has ownership and control. The required funds include general funds, special revenue funds, debt service funds, capital project funds and proprietary funds.

Effect:

The reports to DFA are misstated to the extent of funds not reported.

Cause:

The funds excluded from the DFA report were overlooked and because administrative staff did not know the reporting requirements.

Recommendation:

The Town administration should prepare a checklist of funds to be included in the quarterly report to the DFA to prevent the omission of any funds from the report.

Response:

All funds will be included in Quarterly Reports to DFA. A checklist of all funds will be used to ensure this.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2003-09 LATE FILING OF PROPOSED BUDGET FOR NEXT FISCAL YEAR

Statement of Condition:

A proposed budget for fiscal year ending June 30, 2006 was not submitted in a timely manner to the Local Government Division of the Department of Finance and Administration.

Criteria:

All local public bodies are required by the Local Government Division of the Department of Finance and Administration to submit a proposed budget for the next fiscal year on or before June 1 of each year (State Statutes 6-6-2, NMSA 1978 Compilation).

Cause:

Unknown.

Effect:

The Town will not be authorized to make expenditures of public money without an approved budget.

Recommendation:

The proposed budget should be prepared and submitted to the Local Government Division of the Department of Finance and Administration for their approval on a timely basis. The approved proposed budget can be used by the Town pending approval of the final budget.

Response:

The best attempt to get this filed in a timely manner will be taken.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2005-03 INADEQUATE SEPARATION OF DUTIES

Statement of Condition:

The PHA has a small staff and is unable to properly separate accounting duties in a manner which would maximize internal controls.

Criteria:

Internal controls should be in effect that would maximize internal control by adequately separating accounting duties.

Cause:

There are inadequate resources to pay personnel costs. There is a limited number of housing units generating subsidies. Adequate separation of duties is not cost effective.

Effect:

Because of lack of adequate separation of accounting duties errors in the accounting records could occur without being detected.

Recommendation:

The Board should continue its review of the financial activities of the Housing Authority and should consult with the fee accountant when questions arise.

Response:

This condition is present in most housing authorities due to the small size of their administrative staffs. Funding is not available to correct this weakness. Correction of this deficiency would not be cost effective. The Board will continue to monitor the financial activities of the Housing Authority to the best of its ability.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2006-01 DEBT PAYOFFS NOT RECORDED

Statement of Condition:

An additional allotment was received from the state to retire debt used to fund the fire house additions. The receipt of the funds and subsequent debt payoff were not recorded in the books.

Criteria:

Internal controls should be in effect to capture all information regarding allotments and debt payoff and to prevent a material misstatement in financial reporting.

Cause:

The funds did not flow directly through the Town's bank accounts, but went directly to an account held by the New Mexico Finance Authority. While the town received a statement, the statement was not forwarded to the contract accounting firm for entry into the books.

Effect:

A material misstatement in financial reporting occurred through the failure to make these entries.

Recommendation:

The Town should have in place policies and procedures to ensure that all relevant information is given to the appropriate person and included in the financial statements.

Response:

The Town will attempt to ensure that all debt payoffs are recorded in the books.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2006-02 MISSING CASH RECEIPTS

Statement of Condition:

A cash deposit in the amount of \$100 containing monies received for cemetery plots was never deposited into the bank.

Criteria:

Internal controls over cash should be sufficient to ensure that all cash received is properly accounted for and deposited into the bank.

Cause:

There is inadequate review and comparison of the accounting records to the bank statements on a timely basis.

Effect:

The asset cash is not adequately protected from loss or theft.

Recommendation:

Receipt ledgers should be reviewed and compared to deposits made on a daily basis. Supervisory personnel should investigate discrepancies on a timely basis.

Response:

The Town will review receipt records and compare them to the deposits made on a monthly basis.

STATE OF NEW MEXICO
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For The Year Ended June 30, 2006

2006-03 MANAGEMENT'S DISCUSSION AND ANALYSIS NOT INCLUDED

Statement of Condition:

Management's discussion and analysis, a required element of the Financial Statements is not included.

Criteria:

GASB 34 requires that Management's Discussion and Analysis be included in the financial statements.

Cause:

There is a lack of understanding of the requirements of GASB 34 in financial reporting.

Effect:

The Town is unable to produce all the required elements of complete financial report.

Recommendation:

The Town should consider hiring an accounting firm or knowledgeable personnel to prepare the required information and financial statements.

Response:

The Town will attempt to complete its MD&A in the future.

STATE OF NEW MEXICO
TOWN OF VAUGHN
EXIT CONFERENCE
For The Year Ended June 30, 2006

The accompanying financial statements have been prepared by Fogel & Co., LLC.

An exit conference was held on August 31, 2009 at the offices of the Town of Vaughn. In attendance were the following:

Representing the Town of Vaughn

Paul Madrid Jr.
Teri Apadoca

Mayor
Clerk and Treasurer

Representing Fogel & Co., LLC

J. Christopher Fogel, CPA

Auditor-In-Charge