

STATE OF NEW MEXICO  
TOWN OF VAUGHN  
Independent Auditors' Report and  
Annual Financial Statements  
June 30, 2009

Calhoon Accounting & Tax Services  
PO Box 945  
Estancia, New Mexico

State of New Mexico  
**TOWN OF VAUGHN**  
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June 30, 2009

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State of New Mexico  
**TOWN OF VAUGHN**  
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June 30, 2009

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State of New Mexico  
**TOWN OF VAUGHN**  
OFFICIAL ROSTER  
June 30, 2009

**TOWN COUNCIL**

Paul Madrid Jr.  
Richard Gallegos  
A. F. Padilla  
Manny Flores

Mayor  
Mayor Pro-Tem  
Member  
Member

**TOWN ADMINISTRATION**

Teri Apodaca  
Carmen Sisneros  
Paula Foote

Clerk and Treasurer  
Assistant Clerk  
Administrative Assistant

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## **FINANCIAL SECTION**

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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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**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 was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the major budgetary comparisons for the general fund and major special revenue funds of the Town of Vaughn (the "Town"), as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. I was also engaged to audit the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the debt service fund and all remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements and the nonmajor budgetary comparison statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town of Vaughn did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, component unit-housing authority activity, revenues and expenditures. Accordingly, I was unable to perform procedures sufficient to achieve the audit objectives for these account balances and transaction classes.

As the Town did not maintain sufficient internal controls and/or adequate records I was unable to obtain sufficient evidential matter and I was not able to apply other auditing procedures to satisfy myself as to the fairness of the presentation of the financial statements in conformity with generally accepted accounting principles. The scope of my work was not sufficient to enable me to express, and I do not express an opinion on the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the major budgetary comparison statements of the Town as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, I do not express an opinion on the respective financial position of each nonmajor governmental fund and fiduciary fund of the Town as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison information for all nonmajor governmental funds for the year then ended, in conformity with accounting principles accepted in the United States of America.



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The financial statements do not include financial data for the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 30, 2013, 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 and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit I was engaged to perform.

The Town of Vaughn has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

I was engaged to conduct an audit for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "Other Supplemental 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. For the reasons described above, I was unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, I express no opinion on them.

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services

July 30, 2013

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## **BASIC FINANCIAL STATEMENTS**

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Net Assets  
As of June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 363,997	\$ 85,203	\$ 449,200
Cash with paying agent	22,082	4	22,086
Receivables, net	123,968	23,842	147,810
Prepaid expenses	6,391	2,872	9,263
Interfund balances	23,010	(23,010)	-
Bond issuance costs	-	10,003	10,003
Restricted assets:			
Meter deposits	-	22,600	22,600
Capital assets:			
Land and construction work in progress	439,642	19,203	458,845
Other capital assets	7,271,164	4,865,237	12,136,401
	<u>7,710,806</u>	<u>4,884,440</u>	<u>12,595,246</u>
Accumulated depreciation	(1,705,914)	(1,398,265)	(3,104,179)
Net capital assets	<u>6,004,892</u>	<u>3,486,175</u>	<u>9,491,067</u>
<b>Total assets</b>	<b><u>\$ 6,544,340</u></b>	<b><u>\$ 3,607,689</u></b>	<b><u>\$ 10,152,029</u></b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 19,332	\$ 11,175	\$ 30,507
Accrued and withheld taxes	-	17,715	17,715
Compensated absences - current	5,785	7,014	12,799
Deposits held in trust for others	-	15,330	15,330
Long-term liabilities:			
Due within one year	27,873	18,183	46,056
NMFA notes payable	101,643	496,292	597,935
Landfill closure costs	-	34,480	34,480
Compensated absences	13,207	-	13,207
	<u>167,840</u>	<u>600,189</u>	<u>768,029</u>
<b>Total liabilities</b>	<b><u>\$ 167,840</u></b>	<b><u>\$ 600,189</u></b>	<b><u>\$ 768,029</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 5,875,376	\$ 2,946,703	\$ 8,822,079
Restricted for:			
Public safety	84,006	-	84,006
Public works	75,919	-	75,919
Culture and recreation	3,396	-	3,396
Health and welfare	12,159	-	12,159
Capital Outlay	-	-	-
Debt service	-	-	-
Unrestricted	<u>325,644</u>	<u>60,797</u>	<u>386,441</u>
<b>Total net assets</b>	<b><u>6,376,500</u></b>	<b><u>3,007,500</u></b>	<b><u>9,384,000</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,544,340</u></b>	<b><u>\$ 3,607,689</u></b>	<b><u>\$ 10,152,029</u></b>

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

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State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Activities  
 For the Year Ended June 30, 2009

Functions/Programs Primary Government:	Net (Expenses) Revenues and Changes in Net Assets						
	Primary Government						
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities:							
General government	\$ 544,251	\$ 116,177	\$ 90,866	\$ 166,594	\$ (170,614)	\$ -	\$ (170,614)
Public safety	155,922	-	76,701	28,804	(50,417)	-	(50,417)
Health and welfare	90,782	73,981	-	-	(16,801)	-	(16,801)
Public works	28,970	-	191,040	-	162,070	-	162,070
Culture and recreation	85,571	-	32,255	-	(53,316)	-	(53,316)
Interest on long-term obligation	3,201	-	-	-	(3,201)	-	(3,201)
Total governmental activities	\$ 908,697	\$ 190,158	\$ 390,862	\$ 195,398	\$ (132,279)	\$ -	\$ (132,279)
Business-type Activities:							
Solid Waste	81,880	53,832	-	-	-	(28,048)	(28,048)
Water and Sewer	352,495	259,831	-	-	-	(92,664)	(92,664)
Total business-type activities	\$ 434,375	\$ 313,663	\$ -	\$ -	\$ -	\$ (120,712)	\$ (120,712)
Total Primary Government	\$ 1,343,072	\$ 503,821	\$ 390,862	\$ 195,398	\$ (132,279)	\$ (120,712)	\$ (252,991)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					47,822	-	47,822
Gross receipts taxes, levied for general purposes					239,548	-	239,548
Other taxes					22,046	-	22,046
Interest and investment earnings					761	221	982
Total general revenues					310,177	221	310,398
Transfers in (out)					-	-	-
Change in net assets					177,898	(120,491)	57,407
Net assets - Beginning					6,198,602	3,127,991	9,326,593
Net assets - Ending					\$ 6,376,500	\$ 3,007,500	\$ 9,384,000

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



State of New Mexico  
**TOWN OF VAUGHN**  
 Balance Sheet - Governmental Funds  
 As of June 30, 2009

	<u>General Fund</u>	<u>Steet Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
<b>Assets</b>				
Cash and investments	\$ 221,584	\$ 50,673	\$ 91,740	\$ 363,997
Cash with paying agent	-	-	22,082	22,082
Tax and accounts receivable	88,973	1,687	17,496	108,156
Due from other funds	6,234	23,559	-	29,793
Prepaid Insurance	2,501	-	3,890	6,391
Total assets	<u>\$ 319,292</u>	<u>\$ 75,919</u>	<u>\$ 135,208</u>	<u>\$ 530,419</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,001	\$ -	\$ 1,509	\$ 9,510
Accrued salaries & benefits	9,207	-	615	9,822
Accrued compensated absences	5,220	-	565	5,785
Due to other funds	2,151	-	4,632	6,783
Total liabilities	<u>24,579</u>	<u>-</u>	<u>7,321</u>	<u>31,900</u>
<b>Fund balance:</b>				
Statutory reserve	33,099	-	-	33,099
Reserved for subsequent year's expenditures	25,144	75,919	2,201	103,264
Reserved for prepaid insurance	2,501	-	3,985	6,486
Reserved for debt service	-	-	22,082	22,082
Unreserved fund equity, reported in:				-
Special revenue funds	-	-	99,619	99,619
General	233,969	-	-	233,969
Total fund balance	<u>294,713</u>	<u>75,919</u>	<u>127,887</u>	<u>498,519</u>
Total liabilities and fund balance	<u>\$ 319,292</u>	<u>\$ 75,919</u>	<u>\$ 135,208</u>	<u>\$ 530,419</u>

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

EXHIBIT C

State of New Mexico  
**TOWN OF VAUGHN**  
 Reconciliation of the Balance Sheet - Governmental Funds  
 To the Statement of Net Assets  
 As of June 30, 2009

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

Total Fund balances - Governmental Funds		\$ 498,519
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.		15,812
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:	\$ 7,710,806	
Accumulated depreciation is	<u>(1,705,914)</u>	6,004,892
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	-	
Notes payable	(129,516)	
Accrued compensated absences - non current	<u>(13,207)</u>	<u>(142,723)</u>
Total net assets-governmental activities		<u>\$ 6,376,500</u>

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, 2009

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 44,201	\$ -	\$ 29,999	\$ 74,200
Gross receipts tax	239,548	-	-	239,548
Other taxes	1,591	19,283	-	20,874
Intergovernmental - State	151,016	191,040	94,841	436,897
Intergovernmental - Federal	166,594	-	-	166,594
Charges for services	38,350	-	-	38,350
Licenses and permits	2,078	-	-	2,078
Miscellaneous local sources	28,490	-	75,943	104,433
Total revenue	<u>671,868</u>	<u>210,323</u>	<u>200,783</u>	<u>1,082,974</u>
<b>Expenditures:</b>				
<b>Current</b>				
General government	239,995	-	-	239,995
Public safety	96,788	4,365	149,916	251,069
Health and welfare	-	-	-	-
Culture and recreation	16,188	-	69,383	85,571
Public works	24,605	-	-	24,605
<b>Noncurrent</b>				
Debt service-principal	-	-	27,306	27,306
Debt service-Interest and fiscal charges	-	-	3,201	3,201
Capital outlay	184,546	251,377	-	435,923
Total expenditures	<u>562,122</u>	<u>255,742</u>	<u>249,806</u>	<u>1,067,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>109,746</u>	<u>(45,419)</u>	<u>(49,023)</u>	<u>15,304</u>
<b>Other financing sources (uses):</b>				
Proceeds from loan	-	-	-	-
Operating transfers in	-	-	21,911	21,911
Operating transfers out	(349)	-	(21,562)	(21,911)
Total other financing sources (uses)	<u>(349)</u>	<u>-</u>	<u>349</u>	<u>-</u>
Net change in fund balances	109,397	(45,419)	(48,674)	15,304
Fund balances - beginning of year	<u>185,316</u>	<u>121,338</u>	<u>176,561</u>	<u>483,215</u>
Fund balances - end of year	<u>\$ 294,713</u>	<u>\$ 75,919</u>	<u>\$ 127,887</u>	<u>\$ 498,519</u>

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

EXHIBIT D

State of New Mexico  
**TOWN OF VAUGHN**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes In Fund Balances - Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2009

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

Total net change in fund balances - governmental funds	\$	15,304
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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	\$ (301,063)		
Capital outlays	<u>435,923</u>		134,860

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	3,621		
Decrease in compensated absences payable	<u>(3,193)</u>		428

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.

Notes principal payments		<u>27,306</u>	
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Total changes in net assets-governmental activities	\$	<u>177,898</u>	
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The accompanying notes are an integral part of these financial statements.  
 EXHIBIT D, continued

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual - General Fund - 101  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 46,500	\$ 46,500	\$ 90,866	\$ 44,366
Taxes	89,788	89,788	291,667	201,879
License and fees	730	730	345	(385)
Grants	165,735	165,735	166,594	859
Miscellaneous local sources	267,103	267,103	66,840	(200,263)
Total Revenues	<u>569,856</u>	<u>569,856</u>	<u>616,312</u>	<u>46,456</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Financial Administration:</b>				
<b>Current:</b>				
Personnel services	87,012	87,012	106,486	(19,474)
Operating expenses	86,381	86,381	124,340	(37,959)
<b>Non-current</b>				
Capital outlay	135,935	135,935	96,071	39,864
Total Financial Administration	<u>309,328</u>	<u>309,328</u>	<u>326,897</u>	<u>(17,569)</u>
<b>Public Safety:</b>				
<b>Police:</b>				
<b>Current</b>				
Personnel services	140,765	140,765	46,228	94,537
Operating expenses	18,015	18,015	50,560	(32,545)
<b>Non-current:</b>				
Capital outlay	-	-	-	-
Total Police	<u>158,780</u>	<u>158,780</u>	<u>96,788</u>	<u>61,992</u>
<b>Fire:</b>				
<b>Current</b>				
Operating expenses	686	686	-	686
<b>Non-current:</b>				
Capital outlay	-	-	45,794	(45,794)
Total Fire	<u>686</u>	<u>686</u>	<u>45,794</u>	<u>(45,108)</u>
Total Public Safety	<u>159,466</u>	<u>159,466</u>	<u>142,582</u>	<u>16,884</u>
<b>Public Works:</b>				
<b>Highway and Streets:</b>				
<b>Current:</b>				
Personnel services	18,673	18,673	-	18,673
Operating expenses	20,479	20,479	24,605	(4,126)
<b>Non-current:</b>				
Capital outlay	-	-	-	-
Total Highway and streets	<u>39,152</u>	<u>39,152</u>	<u>24,605</u>	<u>14,547</u>
Total Public Works	<u>\$ 39,152</u>	<u>\$ 39,152</u>	<u>\$ 24,605</u>	<u>\$ 14,547</u>

The accompanying notes are an integral part of these Financial Statements.

EXHIBIT E

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual - General Fund - 101  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures:</b>				
<b>Health and Welfare:</b>				
Current:				
Personnel services	\$ 3,939	\$ 3,939	\$ -	\$ 3,939
Operating expenses	210	210	-	210
Non-current:				
Capital outlay	-	-	-	-
Total Highway and streets	<u>4,149</u>	<u>4,149</u>	<u>-</u>	<u>4,149</u>
Total Health and Welfare	<u>4,149</u>	<u>4,149</u>	<u>-</u>	<u>4,149</u>
<b>Culture and Recreation:</b>				
Library:				
Current:				
Personnel services	9,596	9,596	-	9,596
Operating expenses	<u>7,427</u>	<u>7,427</u>	<u>11,573</u>	<u>(4,146)</u>
Total Library	<u>17,023</u>	<u>17,023</u>	<u>11,573</u>	<u>5,450</u>
Parks and Recreation:				
Current				
Operating expenses	4,000	4,000	4,615	(615)
Non-current:				
Capital outlay	29,800	29,800	-	29,800
Total Parks and Recreation	<u>33,800</u>	<u>33,800</u>	<u>4,615</u>	<u>29,185</u>
Seniors:				
Current				
Personnel services	-	-	-	-
Operating expenses	-	-	-	-
Non-current:				
Capital outlay	-	-	42,681	(42,681)
Total Seniors	<u>-</u>	<u>-</u>	<u>42,681</u>	<u>(42,681)</u>
Total Culture and Recreation	<u>50,823</u>	<u>50,823</u>	<u>58,869</u>	<u>(8,046)</u>
<b>Total Expenditures</b>	<u>562,918</u>	<u>562,918</u>	<u>552,953</u>	<u>9,965</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>6,938</u>	<u>6,938</u>	<u>63,359</u>	<u>36,491</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(349)	349
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(349)</u>	<u>349</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>63,010</u>	<u>-</u>
<b>Cash balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>158,574</u>	<u>-</u>
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,584</u>	<u>\$ -</u>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<u>\$ 63,010</u>	
Adjustment to revenues for accruals and other deferrals			55,556	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(9,169)</u>	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 109,397</u>	

The accompanying notes are an integral part of these Financial Statements.  
EXHIBIT E, continued

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual - Street Fund - 216  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 24,054	\$ 24,054	\$ 19,283	\$ (4,771)
CDBG Grant	690,181	690,181	189,353	(500,828)
Miscellaneous local sources	-	-	-	-
Total revenue	<u>714,235</u>	<u>714,235</u>	<u>208,636</u>	<u>(505,599)</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
<b>Current:</b>				
Salaries and benefits	32,263	32,263	-	32,263
Operating expenses	51,200	51,200	5,456	45,744
<b>Non-current</b>				
Capital outlay	690,181	690,181	251,377	438,804
Total expenditures	<u>773,644</u>	<u>773,644</u>	<u>256,833</u>	<u>516,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,409)</u>	<u>(59,409)</u>	<u>(48,197)</u>	<u>11,212</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(48,197)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>98,870</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,673</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			<u>\$ (48,197)</u>	
Adjustment to revenues for accruals and other deferrals			<u>1,687</u>	
Adjustment to expenditures for payables, prepaids and other accruals			<u>1,091</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (45,419)</u>	

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

EXHIBIT F



State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Net Assets - Proprietary Funds  
As of June 30, 2009

	Solid Waste	Water and Sewer	Total
<b>Assets</b>			
<b>Current assets, unrestricted:</b>			
Cash, cash equivalents and investments	\$ 10,899	\$ 74,304	\$ 85,203
Cash with paying agent	3	1	4
Customer accounts receivable, net of allowance for doubtful accounts	5,692	18,150	23,842
Due from other funds	-	1,962	1,962
Prepaid expenses	556	2,316	2,872
Deferred bond issuance costs	-	10,003	10,003
Total current unrestricted assets	<u>17,150</u>	<u>106,736</u>	<u>123,886</u>
<b>Current assets, restricted:</b>			
Cash, cash equivalents and investments			
Meter deposits	-	22,600	22,600
Total restricted assets	<u>-</u>	<u>22,600</u>	<u>22,600</u>
Total current assets	<u>17,150</u>	<u>129,336</u>	<u>146,486</u>
<b>Capital assets:</b>			
Land and construction work in progress	3,500	15,703	19,203
Other capital assets	319,861	4,545,376	4,865,237
Less: accumulated depreciation	(176,582)	(1,221,683)	(1,398,265)
Net capital assets	<u>146,779</u>	<u>3,339,396</u>	<u>3,486,175</u>
Total assets	<u>\$ 163,929</u>	<u>\$ 3,468,732</u>	<u>\$ 3,632,661</u>
<b>Liabilities and Equity</b>			
<b>Current liabilities, payable from unrestricted assets:</b>			
Accounts Payables	4,293	6,882	11,175
Accrued liabilities	-	903	903
Accrued interest	-	16,812	16,812
Current portion of long-term debt	12,183	6,000	18,183
Compensated absences	772	6,242	7,014
Due to other funds	2,602	22,370	24,972
Total current liabilities payable from unrestricted assets	<u>19,850</u>	<u>59,209</u>	<u>79,059</u>
<b>Current liabilities, payable from restricted assets:</b>			
Customer deposits	-	15,330	15,330
Total liabilities payable from restricted assets	<u>-</u>	<u>15,330</u>	<u>15,330</u>
Total current liabilities	<u>19,850</u>	<u>74,539</u>	<u>94,389</u>
<b>Long-term liabilities</b>			
NMFA note payable	12,292	484,000	496,292
Landfill closure costs	34,480	-	34,480
Total long-term liabilities	<u>46,772</u>	<u>484,000</u>	<u>530,772</u>
Total liabilities	<u>66,622</u>	<u>558,539</u>	<u>625,161</u>
<b>Fund equity:</b>			
Net assets invested in capital assets, net of related debt	97,307	2,849,396	2,946,703
Unrestricted net assets	-	60,797	60,797
Total net assets	<u>\$ 97,307</u>	<u>\$ 2,910,193</u>	<u>\$ 3,007,500</u>

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2009

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	\$ 53,832	\$ 259,831	\$ 313,663
Other	-	-	-
Total operating revenue	<u>53,832</u>	<u>259,831</u>	<u>313,663</u>
Operating expenses:			
Personnel services	25,608	87,220	112,828
Operating expenses	31,220	123,323	154,543
Fuel and power/utilities	-	16,512	16,512
Depreciation	24,821	102,767	127,588
Other	-	-	-
Total operating expenses	<u>81,649</u>	<u>329,822</u>	<u>411,471</u>
Operating income (loss)	<u>(27,817)</u>	<u>(69,991)</u>	<u>(97,808)</u>
Non-operating income (expenses):			
Interest income	92	129	221
Interest expense	(231)	(22,673)	(22,904)
Capital grants	-	-	-
Net non-operating income (expenses)	<u>(139)</u>	<u>(22,544)</u>	<u>(22,683)</u>
Transfers in	-	-	-
Transfers out	-	-	-
Net transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(27,956)	(92,535)	(120,491)
Net assets, beginning of year	125,263	3,002,728	3,127,991
Net assets, end of year	<u>\$ 97,307</u>	<u>\$ 2,910,193</u>	<u>\$ 3,007,500</u>

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

	Solid Waste	Water and Sewer	Total Governmental Funds
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 52,066	\$ 263,507	\$ 315,573
Cash paid to and on behalf of employees	(26,408)	(90,995)	(117,403)
Cash paid to vendors for goods and services	(24,233)	(133,201)	(157,434)
Operating grants received	-	-	-
Net cash flow from operating activities	<u>1,425</u>	<u>39,311</u>	<u>40,736</u>
<b>Cash flows used for noncapital financing activities</b>			
Operating transfers received (paid)	-	-	-
Net cash flow from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Interest expense	(231)	(22,275)	(22,506)
Loan repayments	(11,414)	(5,000)	(16,414)
Capital grant received	-	-	-
Purchase of capital assets	(30,548)	(41,478)	(72,026)
Net cash flows from capital and related financing activities	<u>(42,193)</u>	<u>(68,753)</u>	<u>(110,946)</u>
<b>Cash flows form investing activities</b>			
Investment income	92	129	221
Net cash flows from investing activities	<u>92</u>	<u>129</u>	<u>221</u>
Net increase (decrease) in cash and cash equivalents	(40,676)	(29,313)	(69,989)
Cash and cash equivalents, beginning of year	51,578	126,218	177,796
Cash and cash equivalents, end of year	<u>\$ 10,902</u>	<u>\$ 96,905</u>	<u>\$ 107,807</u>
Shown on statement of net assets as:			
Unrestricted cash and cash equivalents	\$ 10,899	\$ 74,304	\$ 85,203
Cash with paying agent	3	1	4
Restricted cash and cash equivalents	-	22,600	22,600
Total cash on statement of net assets	<u>\$ 10,902</u>	<u>\$ 96,905</u>	<u>\$ 107,807</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FORM OPERATING ACTIVITIES</b>			
Net operating Income	\$ (27,817)	\$ (69,991)	\$ (97,808)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	24,821	102,767	127,588
Collection losses	-	-	-
Change in assets and liabilities:			
Receivables	(1,766)	3,676	1,910
Prepaid expenses	194	1,139	1,333
Accounts payable	1,942	(1,678)	264
Compensated absences	(259)	(2,097)	(2,356)
Due to/from other funds	-	-	-
Bond issuance cost	-	278	278
Customer Deposits	-	5,217	5,217
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ 1,425</u>	<u>\$ 39,311</u>	<u>\$ 40,736</u>

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009

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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

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13. BUDGET AUTHORITY EXCEEDED
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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**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 government 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:

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. FINANCIAL REPORTING ENTITY (continued)**

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 the 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 is a component unit of the Town of Vaughn; however, it is not presented in the Government-Wide Financial Statements. 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, 2009. Complete financial statements for Town of Vaughn Housing Authority are not available.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION**

**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 has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 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-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, 2009 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 a FAA Capital grant for airport improvements.



State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION**

**Government-Wide and Fund Financial Statements (continued):**

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 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:**

**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 constructions, reconstruction, resurfacing or other improvement of public roads, streets, alleys or bridges, including right-of-way and materials acquisition.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION**

**Government-Wide and Fund Financial Statements (continued):**

**Capital Projects Funds:**

Airport Fund - To account for 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.

**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 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 o 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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. BASIS OF PRESENTATION**

**Government-Wide and Fund Financial Statements (continued):**

**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.

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

State of New Mexico  
TOWN OF VAUGHN  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)**

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.

**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 as 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 FINANCIAL STATEMENTS (continued)  
June 30, 2009

**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, 2009 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 FINANCIAL STATEMENTS (continued)  
June 30, 2009

**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, 2009 there were due to/due from accounts in the fund financial statements which are 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, 2009 prepaid insurance cost amounted to \$9,263.

**Inventory of Supplies**

There were no material amounts of inventory at June 30, 2009. Purchases for supplies are recorded as expenditures and are not recorded as an asset on the statement of net assets or balance sheet.

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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 improvement	25-65 years
Vehicles and rolling stock	5-10 years
Machinery, equipment and other	5-20 years

**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 is 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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Compensated Absences**

The Town's policy regarding vacation time permits 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.
- 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.



State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Reserved for Prepaid Insurance**

This designation segregates a portion of equity to indicate that although prepaid items are an asset, it does not represent an available, spendable resource.

**Reserved for Subsequent Years' Expenditures**

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

**Unreserved, Undesignated**

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

**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 July and August included in the caption "Receivables" on the Statement of Net Assets (Government-wide) and Balance Sheet (Fund Financial Statements).

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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  
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.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as 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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is 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.

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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**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.
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 that 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.

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, 2009.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2009

**2. COMPLIANCE AND ACCOUNTABILITY (continued)**

**B. INTERFUND BALANCES**

The following schedule details the net interfund due to/due from made by the Town of Vaughn during the year ended June 30, 2009:

<b>General Fund</b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
206 EMS	\$ 349	
216 Municipal Street		\$ 189
219 Senior Citizens	\$ 1,579	
509 Ambulance	1,704	
504 Landfill	2,602	
505 Water Utility		<u>1,962</u>
Total General Fund	<u>6,234</u>	<u>2,151</u>
<b>Special Revenue Funds</b>		
206 EMS Fund		
101 General Fund		349
216 Municipal Street		
101 General Fund	189	
217 Recreation Fund	1,000	
505 Water Utility	22,370	
217 Recreation Fund		
216 Municipal Street		1,000
219 Senior Citizens		
101 General Fund		1,579
509 Ambulance		
101 General Fund		<u>1,704</u>
Total Special Revenue Funds	<u>23,559</u>	<u>4,632</u>
<b>Proprietary Funds</b>		
504 Landfill		
101 General Food		2,602
505 Water Utility		
101 General Fund	1,962	
216 Municipal Street		<u>22,370</u>
Total Proprietary Funds	<u>1,962</u>	<u>24,972</u>
Total All Funds	<u>\$31,755</u>	<u>\$31,755</u>

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

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 Compo 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.

At June 30,2009, the carrying amount of the Town Of Vaughn's deposits (excluding \$22,085 cash with paying agent) was \$471,801 and the bank balances were \$501,400. The deposits are held at Wells Fargo Bank and Everyone's Federal Credit Union. 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 schedule shows the bank balances held by Wells Fargo Bank.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

3. **DEPOSITS AND INVESTMENTS (continued)**

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>Wells Fargo Bank:</b>		
Demand Deposits	\$415,061	\$403,588
Certificates of deposit	11,674	11,674
	<u>\$426,735</u>	<u>415,262</u>
FDIC Coverage		<u>250,000</u>
Uninsured balance		165,262
Collateralization required at 50%		82,631
Collateral held at Wells Fargo Trust		<u>583,868</u>
Over (under) collateralization requirement		<u>\$501,237</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. The Town of Vaughn is currently over collateralized by \$501,237.

Other accounts exist with the New Mexico Finance Authority, Bank of Albuquerque and Everyone's Federal Credit Union. The Town is not required to independently collateralize these accounts. The total amount held at these institutions at June 30, 2009 was \$513, \$21,572 and \$56,539 respectively.

4. **ACCOUNTS RECEIVABLE**

The accounts receivable of the Town of Vaughn, by fund type, at June 30, 2009 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 6,156		
State shared taxes	25,920		
Customer utility accounts			\$ 25,342
Grants	72,663		
Other	46	19,183	-
	<u>104,785</u>	<u>19,183</u>	<u>25,342</u>
Less: Allowance for doubtful accounts	-	-	1,500
Total	<u>\$104,785</u>	<u>\$ 19,183</u>	<u>\$ 23,842</u>

Except as noted, all amounts are considered collectable at June 30, 2009. 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 FINANCIAL STATEMENTS (continued)  
June 30, 2009

5. **CAPITAL ASSETS**

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

<b>Governmental activities</b>	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Capital assets not being depreciated:				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	<u>-</u>	<u>251,377</u>	<u>-</u>	<u>251,377</u>
Total	188,265	251,377	-	439,642
Capital assets being depreciated:				
Land improvements	4,620,588	18,663	-	4,620,588
Buildings	1,828,937	-	-	1,828,937
Machinery and equipment	102,324	120,089	-	222,870
Vehicles	<u>534,769</u>	<u>45,794</u>	<u>-</u>	<u>580,563</u>
Total	7,086,618	184,546	-	7,271,164
Less accumulated depreciation for:				
Land improvements	(112,755)	( 84,289)	-	(197,044)
Buildings	(884,747)	( 72,584)	-	(957,331)
Machinery and equipment	(53,719)	( 33,420)	-	(87,139)
Vehicles	<u>(353,630)</u>	<u>(110,770)</u>	<u>-</u>	<u>(464,400)</u>
Total	(1,404,851)	(301,063)	-	(1,705,914)
Total capital assets being depreciated, net	<u>5,681,767</u>	<u>(116,517)</u>	<u>-</u>	<u>5,565,250</u>
Total Governmental activities, capital assets, net	<u>\$ 5,870,032</u>	<u>\$ 134,860</u>	<u>\$ -</u>	<u>\$ 6,004,892</u>

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

5. **CAPITAL ASSETS (continued)**

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

<b>Business type activities</b>	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Capital assets not being depreciated:				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	19,203	-	-	19,203
Capital assets being depreciated:				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery and equipment	<u>411,714</u>	<u>72,026</u>	<u>-</u>	<u>483,740</u>
Total	4,793,211	72,026	-	4,865,237
Less accumulated depreciation for:				
Buildings	(8,826)	( 1,366)	-	(10,192)
Underground lines	(1,063,470)	(86,947)	-	(1,150,417)
Machinery and equipment	<u>(198,381)</u>	<u>(39,275)</u>	<u>-</u>	<u>(237,656)</u>
Total	(1,270,677)	(127,588)	-	(1,398,265)
Total capital assets being depreciated, net	<u>3,522,534</u>	<u>(55,562)</u>	<u>-</u>	<u>3,466,972</u>
Total Business type activities, capital assets, net	<u>\$ 3,541,737</u>	<u>\$ (55,562)</u>	<u>\$ -</u>	<u>\$ 3,486,175</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2009

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, 2009:

	Balance 06/30/2008	<u>Additions</u>	<u>Deletions</u>	Balance 06/30/2009	Current Portion
Note payable	\$ 531,560		\$ 18,085	\$ 513,475	\$18,183
Landfill closure costs	30,170	\$ 4,310		34,480	
Compensated absences	9,370	3,339	5,695	7,014	7,014
Total	<u>\$ 571,100</u>	<u>\$ 7,649</u>	<u>\$ 22,780</u>	<u>\$ 555,969</u>	<u>\$25,197</u>

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

Year Ended 06/30	<u>Principal</u>	<u>Interest</u>	<u>Admin Fees</u>	<u>Total</u>
2010	18,183	22,214	62	40,459
2011	18,183	21,866	30	40,188
2012	18,292	21,510	-	27,510
2013	6,000	21,240	-	27,240
2014	6,000	20,970	-	27,970
2015-2029	459,000	403,700	-	862,700
 Total	 <u>\$514,475</u>	 <u>\$511,500</u>	 <u>\$ 92</u>	 <u>\$1,026,067</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2009

**6. PROPRIETARY FUND LONG-TERM DEBT (continued)**

**B. CLOSURE AND POST CLOSURE LANDFILL 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 \$34,480 at June 30, 2009 represent the cumulative amount reported to date based upon approximately 17% 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.

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

The NMFA Note payable for the proprietary debt, as reflected on the Statement of Net Assets, is being paid from its major funds in the percentage of 12% from Solid Waste Fund and 88% from the Water/Sewer Fund.

**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, 2009.

	<u>Balance</u> <u>06/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2009</u>	<u>Current</u> <u>Portion</u>
Notes payable	\$ 156,822		\$ 27,306	\$ 129,516	\$27,873
Accrued compensated absences	<u>12,612</u>	<u>14,336</u>	<u>7,956</u>	<u>18,992</u>	<u>5,785</u>
Total	<u>\$ 169,434</u>	<u>\$ 14,336</u>	<u>\$ 35,262</u>	<u>\$ 148,508</u>	<u>\$33,658</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2009

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 \$28,873 at June 30, 2009.

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 to 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 \$100,643 at June 30, 2009.

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

<u>Year Ended</u> <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin</u> <u>Fees</u>	<u>Total</u>
2010	\$ 27,873	\$ 2,311	\$ 324	\$ 30,508
2011	28,466	1,789	354	30,509
2012	14,093	1,238	183	15,514
2013	14,351	1,016	148	15,515
2014	14,622	781	112	15,515
2015-2029	<u>30,111</u>	<u>808</u>	<u>113</u>	<u>31,032</u>
 Total	 <u>\$129,516</u>	 <u>\$ 7,943</u>	 <u>\$ 1,526</u>	 <u>\$ 138,593</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2009

**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 or 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:	<u>Current Portion</u>	<u>Non-current Portion</u>	<u>Total</u>
General Fund	\$ 5,220	\$ 10,070	\$15,290
Seniors Fund	<u>565</u>	<u>3,137</u>	<u>3,702</u>
Total	<u>\$ 5,785</u>	<u>\$13,207</u>	<u>\$18,992</u>

**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.

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, 2009, the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2009 were 5.872 for residential and .765 for non-residential. These are tax rates applied to each \$1,000 of property value taxable by the Town.

Property tax revenues amounted to \$ 44,201 for the fiscal year ended June 30, 2009.

**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, 2009, the Town collected \$345 in business license fees.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

9. **TAXES (continued)**

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 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 \$3,766 in motor vehicle registration fees for the year ended June 30, 2009.

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	.020
	<u>.105</u>

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

9. **TAXES (continued)**

D. **EXCISE TAX ON CIGARETTES (continued)**

Taxes deposited into the County and Municipality Recreation Fund is distributed to the various counties and municipalities and is 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.

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, 2009, the Town received distributions of cigarette taxes in the amount of \$1,591 in the general fund and \$1,172 in the recreation fund for a total of \$2,763 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 FINANCIAL STATEMENTS (continued)  
June 30, 2009

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, 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, 2009, the Town earned \$19,283 in gasoline tax distributions.

**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, 2009, the Town earned taxes in the amount of \$85,675.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2009

9. **TAXES (continued)**

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, 1.25 percent of the taxable gross receipts are distributed to the municipality reporting the taxable receipts. During the year ended June 30, 2009, the Town earned \$84,643 from the State under the above stated authority.

10. **RETIREMENT PLAN – Public Employees Retirement Association**

***Plan Description.*** Substantially all of the Town of Vaughn's full time employees participate in a public employees retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

***Funding Policy.*** Plan members are required to contribute 7.00% of their gross salary. The Estancia Valley Solid Waste Authority is required to contribute 7.00% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town contributions to PERA for the fiscal year ending June 30, 2009 were \$12,673, which equals the amount of the required contributions for each fiscal year.

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 FINANCIAL STATEMENTS (continued)  
June 30, 2009

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, 2009:

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:                     | 06/30/2009                     |

Property

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | 4633-000073-02                   |
| c. Amount of coverage:                  | Replacement cost                 |
| d. Expiration date:                     | 11/03/2009                       |

Auto Liability

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | Town V-1                         |
| c. Amount of coverage:                  | Tort limits                      |
| d. Expiration date:                     | 11/03/2009                       |

General Liability

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | Town V-1                         |
| c. Amount of coverage:                  | Tort limits                      |
| d. Expiration date:                     | 11/03/2009                       |

The standard premium 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, 2009, 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 FINANCIAL STATEMENTS (continued)  
 June 30, 2009

13. **BUDGET AUTHORITY EXCEEDED**

The Town overspent its budget authority in the following funds in the amounts indicated. As explained in Note 1, expenditures may not exceed the budget at the fund level.

	Overspent Amount
206 EMS Fund	\$ 4,437
217 Recreation Fund	1,015
402 Debt Service	30,506
505 Water Fund	67,645

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, 2006 to the beginning of the year net assets as presented in the Statement of Net Assets (Exhibit A).

	Governmental Funds	Proprietary Funds
Total fund equity at June 30, 2008	\$6,096,601	\$3,127,991
Reconciling Items:		
Capital assets, net	256,646	
Deferred income	12,191	
Notes payable	(156,822)	
Compensated absences	( 10,014)	
Net assets, beginning of year – Exhibit B	\$6,198,602	\$3,127,991

15. **SUBSEQUENT EVENTS REVIEW**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is July 30, 2013, which is the date on which the financial statements were dated.

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## **SUPPLEMENTARY INFORMATION**

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State of New Mexico  
**TOWN OF VAUGHN**  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2009

**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 24-10-A-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.

**Senior Citizens** - To account for funds used to provide services to senior citizens. Financing services include: State funds appropriated by the State under House Bill 2; Federal funds from Title III-B, Title II-C-1; Title III-C-2; Title III-D, cash in lieu of commodities; and local sources.

**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 Fund** - 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.



State of New Mexico  
**TOWN OF VAUGHN**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

	SPECIAL REVENUE FUNDS			
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund
<b>Assets</b>				
Cash and investments	\$ 4,404	\$ 28	\$ 3,573	\$ 450
Cash with paying agent	-	-	-	-
Taxes and accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid insurance	-	-	2,038	-
Total assets	\$ 4,404	\$ 28	\$ 5,611	\$ 450
 <b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 54	568
Accrued salaries and benefits	-	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	-	349	-	-
Total liabilities	-	349	54	568
 <b>Fund Balances</b>				
Statutory reserve	-	-	-	-
Reserved for subsequent years expenditures	-	-	-	-
Reserved for prepaid insurance	-	-	2,038	-
Reserved for debt service	-	-	-	-
Reserved for capital projects	-	-	-	-
Unreserved - undesignated	4,404	(321)	3,519	(118)
Total fund balance	4,404	(321)	5,557	(118)
Total liabilities and fund balance	\$ 4,404	\$ 28	\$ 5,611	\$ 450

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

STATEMENT 1

SPECIAL REVENUE FUNDS

<u>Recreation Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Funds</u>
\$ 4,373	\$ 1,120	\$ 6,866	\$ 70,926	\$ -	\$ 91,740
-	-	-	-	22,082	22,082
23	12,872	-	4,601	-	17,496
-	-	-	-	-	-
-	926	-	926	-	3,890
<u>\$ 4,396</u>	<u>\$ 14,918</u>	<u>\$ 6,866</u>	<u>\$ 76,453</u>	<u>\$ 22,082</u>	<u>\$ 135,208</u>
\$ -	-	\$ -	\$ 887	\$ -	\$ 1,509
-	615	-	-	-	615
-	565	-	-	-	565
1,000	1,579	-	1,704	-	4,632
<u>1,000</u>	<u>2,759</u>	<u>-</u>	<u>2,591</u>	<u>-</u>	<u>7,321</u>
-	-	-	-	-	-
-	2,201	-	-	-	2,201
-	1,947	-	-	-	3,985
-	-	-	-	22,082	22,082
-	-	-	-	-	-
3,396	8,011	6,866	73,862	-	99,619
<u>3,396</u>	<u>12,159</u>	<u>6,866</u>	<u>73,862</u>	<u>22,082</u>	<u>127,887</u>
<u>\$ 4,396</u>	<u>\$ 14,918</u>	<u>\$ 6,866</u>	<u>\$ 76,453</u>	<u>\$ 22,082</u>	<u>\$ 135,208</u>

State of New Mexico  
**TOWN OF VAUGHN**  
Combining Statement of Revenues, Expenditures  
And Changes In Fund Balance Nonmajor Governmental Funds  
For the Year Ended June 30, 2009

	SPECIAL REVENUE FUNDS			
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund
<b>Revenues:</b>				
Taxes - other	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	9,000	38,910	20,000
Federal grants	-	-	-	-
Miscellaneous local sources	62	7	5,059	12
Total revenues	62	9,007	43,969	20,012
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	-	9,363	38,602	20,532
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
<b>Non-Current</b>				
Debt service principal	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	9,363	38,602	20,532
Excess (deficiency) of revenues over (under) expenditures	62	(356)	5,367	(520)
<b>Other financing sources (uses):</b>				
Proceeds from loan	-	-	-	-
Operating transfers in	-	349	-	-
Operating transfers out	-	-	(21,562)	-
Total other financing sources	-	349	(21,562)	-
Net changes in fund balances	62	(7)	(16,195)	(520)
Fund balance, beginning of year	4,342	(314)	21,752	402
Fund balance, end of year	\$ 4,404	\$ (321)	\$ 5,557	\$ (118)

The accompanying notes are an integral part of these financial statements.  
STATEMENT 2

SPECIAL REVENUE FUNDS

<u>Recreation Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Funds</u>
\$ 1,195	\$ -	\$ -	\$ -	\$ 28,804	\$ 29,999
4,360	22,571	-	-	-	94,841
-	-	-	-	-	-
5	5,031	270	64,981	516	75,943
<u>5,560</u>	<u>27,602</u>	<u>270</u>	<u>64,981</u>	<u>29,320</u>	<u>\$ 200,783</u>
-	-	-	81,419	-	149,916
-	-	-	-	-	-
2,015	67,368	-	-	-	69,383
-	-	-	-	-	-
-	-	-	-	27,306	27,306
-	-	-	-	3,201	3,201
-	-	-	-	-	-
<u>2,015</u>	<u>67,368</u>	<u>-</u>	<u>81,419</u>	<u>30,507</u>	<u>249,806</u>
3,545	(39,766)	270	(16,438)	(1,187)	(49,023)
-	-	-	-	-	-
-	-	-	-	21,562	21,911
-	-	-	-	-	(21,562)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,562</u>	<u>349</u>
3,545	(39,766)	270	(16,438)	20,375	(48,674)
(149)	51,925	6,596	90,300	1,707	176,561
<u>\$ 3,396</u>	<u>\$ 12,159</u>	<u>\$ 6,866</u>	<u>\$ 73,862</u>	<u>\$ 22,082</u>	<u>\$ 127,887</u>

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Corrections Fund - 201  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	75	75	62	(13)
Total revenue	75	75	62	(13)
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	-	-	-	-
Non-current				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	75	75	62	(13)
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances			62	
Cash balances - beginning of year	-	-	4,342	
Cash balances - end of year			\$ 4,404	
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 62	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 62	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 3

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - EMS Fund - 206  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Miscellaneous local sources	-	-	4,007	4,007
Total revenue	<u>5,000</u>	<u>5,000</u>	<u>9,007</u>	<u>4,007</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	5,000	5,000	9,437	(4,437)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>9,437</u>	<u>(4,437)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(430)</u>	<u>(430)</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	349	(349)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>349</u>	<u>(349)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(81)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>109</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (81)	
Adjustment to revenues for accruals and other deferrals			(349)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>423</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (7)</u>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 4

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual - Fire Protection Fund - 209  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 58,584	\$ 58,584	\$ 38,910	\$ (19,674)
Miscellaneous local sources	5,000	5,000	5,059	59
Total revenue	63,584	63,584	43,969	(19,615)
<b>Expenditures:</b>				
Public Works:				
Current:				
Salaries and benefits	-	-	-	-
Operating expenses	36,792	36,792	48,123	(11,331)
Non-current				
Capital outlay	26,792	26,792	-	26,792
Total expenditures	63,584	63,584	48,123	15,461
Excess (deficiency) of revenues over (under) expenditures	-	-	(4,154)	(4,154)
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(21,562)	21,562
Total other financing sources (uses)	-	-	(21,562)	21,562
Net change in fund balances	-	-	(25,716)	-
Cash balances - beginning of year	-	-	29,289	
Cash balances - end of year	\$ -	\$ -	\$ 3,573	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (25,716)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			9,521	
Net change in fund balance (GAAP Basis)			\$ (16,195)	

SEE INDEPENDENT AUDITOR'S REPORTS

The accompanying notes are an integral part of these Financial Statements.

STATEMENT 5

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Law Enforcement Fund - 211  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous local sources	-	-	12	12
<b>Total revenue</b>	<u>20,000</u>	<u>20,000</u>	<u>20,012</u>	<u>12</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
<b>Current:</b>				
Operating expenses	20,000	20,000	19,964	36
<b>Non-current</b>				
Capital outlay	-	-	0	-
<b>Total expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>19,964</u>	<u>36</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>48</u>	<u>-</u>
<b>Cash balances - beginning of year</b>			<u>402</u>	
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<u>\$ 48</u>	
<b>Adjustment to revenues for accruals and other deferrals</b>			<u>-</u>	
<b>Adjustment to expenditures for payables, prepaids and other accruals</b>			<u>(568)</u>	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ (520)</u>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 6



State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Recreation Fund - 217  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 692	\$ 692	\$ 5,532	\$ 4,840
Miscellaneous local sources	-	-	5	5
Total revenue	692	692	5,537	4,845
<b>Expenditures:</b>				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	1,000	1,000	2,015	(1,015)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	1,000	1,000	2,015	(1,015)
Excess (deficiency) of revenues over (under) expenditures	(308)	(308)	3,522	3,830
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(308)	(308)	3,522	-
Cash balances - beginning of year			851	
Cash balances - end of year	\$ (308)	\$ (308)	\$ 4,373	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,522	
Adjustment to revenues for accruals and other deferrals			23	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 3,545	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 7

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Senior Citizens Fund - 219  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 52,566	\$ 52,566	\$ 62,416	\$ 9,850
Federal Funding	15,151	15,151	-	(15,151)
Miscellaneous local sources	3,512	3,512	5,031	1,519
Total revenue	71,229	71,229	67,447	(3,782)
<b>Expenditures:</b>				
Culture and recreation:				
Current:				
Personal services	47,485	47,485	37,671	9,814
Operating expenses	23,744	23,744	29,689	(5,945)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	71,229	71,229	67,360	3,869
Excess (deficiency) of revenues over (under) expenditures	-	-	87	87
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	87	-
Cash balances - beginning of year	-	-	1,033	-
Cash balances - end of year	\$ -	\$ -	\$ 1,120	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 87	
Adjustment to revenues for accruals and other deferrals			(39,845)	
Adjustment to expenditures for payables, prepaids and other accruals			(8)	
Net change in fund balance (GAAP Basis)			\$ (39,766)	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 8

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Cemetery Fund - 510  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous local sources	\$ 300	\$ 300	\$ 270	\$ (30)
Total revenue	<u>300</u>	<u>300</u>	<u>270</u>	<u>(30)</u>
Expenditures:				
Health and welfare:				
Current:				
Operating expenses	300	300	-	300
Total expenditures	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>270</u>	<u>(330)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>270</u>	<u>-</u>
Cash balances - beginning of year			<u>6,596</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,866</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 270	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 270</u>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 9

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Ambulance Fund - 509  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Miscellaneous local sources	\$ 59,551	\$ 59,551	\$ 68,574	\$ 9,023
<b>Total revenue</b>	<b>59,551</b>	<b>59,551</b>	<b>68,574</b>	<b>9,023</b>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
<b>Current:</b>				
Personnel services	58,096	58,096	80,537	(22,441)
Operating expenses	12,013	12,013	-	12,013
<b>Non-current</b>				
Capital outlay	60,000	60,000	-	60,000
<b>Total expenditures</b>	<b>130,109</b>	<b>130,109</b>	<b>80,537</b>	<b>49,572</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(70,558)</b>	<b>(70,558)</b>	<b>(11,963)</b>	<b>58,595</b>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(70,558)</b>	<b>(70,558)</b>	<b>(11,963)</b>	<b>-</b>
<b>Cash balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>82,889</b>	<b>-</b>
<b>Cash balances - end of year</b>	<b>\$ (70,558)</b>	<b>\$ (70,558)</b>	<b>\$ 70,926</b>	<b>\$ -</b>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<b>\$ (11,963)</b>	
Adjustment to revenues for accruals and other deferrals			(3,593)	
Adjustment to expenditures for payables, prepaids and other accruals			(882)	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ (16,438)</b>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 10

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Debt Service Fund - 402  
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ -	\$ -	\$ 29,320	\$ 29,320
Total revenue	-	-	29,320	29,320
Expenditures:				
Non-current:				
Debt service:				
Principal payment	-	-	27,306	(27,306)
Interest payment	-	-	2,808	(2,808)
Agent fees	-	-	393	(393)
Total expenditures	-	-	30,507	(30,507)
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,187)	(1,187)
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	21,562	(21,562)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	21,562	(21,562)
Net change in fund balances	-	-	20,375	-
Cash balances - beginning of year	-	-	1,707	-
Cash balances - end of year	\$ -	\$ -	\$ 22,082	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 20,375	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 20,375	

The accompanying notes are an integral part of these Financial Statements.

STATEMENT 11

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures - Budget (Non-GAAP Budgetary  
Basis) and Actual (GAAP Basis) - Solid Waste Fund - 504  
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Operating grants	\$ -	\$ -	\$ -	\$ -
Sales and services	72,366	72,366	52,158	(20,208)
State environmental GRT	-	-	-	-
Other local sources	-	-	-	-
Total revenues	<u>72,366</u>	<u>72,366</u>	<u>52,158</u>	<u>(20,208)</u>
<b>Expenses</b>				
Current				
Personnel services	23,619	23,619	26,408	(2,789)
Operating expenses	67,912	71,939	24,142	47,797
Non-current				
Debt service	-	-	11,414	(11,414)
Interest and fiscal charges	-	-	322	(322)
Capital outlay	12,407	12,407	30,548	(18,141)
Total expenses	<u>103,938</u>	<u>107,965</u>	<u>92,834</u>	<u>15,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,572)</u>	<u>(35,599)</u>	<u>(40,676)</u>	<u>(5,077)</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(5,596)	-	-	-
Total other financing sources (uses)	<u>(5,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(37,168)</u>	<u>(35,599)</u>	<u>(40,676)</u>	<u>(5,077)</u>
Cash balances - beginning of year	-	-	51,578	
Cash balances - end of year	<u>\$ (37,168)</u>	<u>\$ (35,599)</u>	<u>\$ 10,902</u>	<u>\$ (5,077)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (40,676)	
Adjustment to revenues for accruals and other deferrals			1,766	
Adjustment to expenditures for payables, prepaids and other accruals			<u>10,954</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (27,956)</u>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 12

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures - Budget (Non-GAAP Budgetary  
Basis) and Actual (GAAP Basis) - Water & Sewer Fund - 505  
For the Year Ended June 30, 2009

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
State environmental GRT	\$ -	\$ -	\$ -	\$ -
Sales and services	305,750	305,750	263,507	(42,243)
Other	-	-	129	129
Total revenues	305,750	305,750	263,636	(42,114)
<b>Expenses</b>				
Current				
Personnel services	54,409	54,409	90,995	(36,586)
Operating expenses	143,395	143,395	116,442	26,953
Fuel and power utilities	-	-	16,512	(16,512)
Meter deposits	-	-	247	(247)
Non-current				
Debt service	-	-	5,000	(5,000)
Interest and fiscal charges	-	-	22,275	(22,275)
Capital outlay	27,500	27,500	41,478	(13,978)
Total expenses	225,304	225,304	292,949	(67,645)
Excess (deficiency) of revenues over (under) expenditures	80,446	80,446	(29,313)	25,531
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	80,446	80,446	(29,313)	25,531
Cash balances - beginning of year	-	-	126,218	
Cash balances - end of year	\$ 80,446	\$ 80,446	\$ 96,905	\$ 25,531
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (29,313)	
Adjustment to revenues for accruals and other deferrals			(3,676)	
Adjustment to expenditures for payables, prepaids and other accruals			(59,546)	
Net change in fund balance (GAAP Basis)			\$ (92,535)	

SEE INDEPENDENT AUDITOR'S REPORTS

The accompanying notes are an integral part of these Financial Statements.

STATEMENT 13

**OTHER SUPPLEMENTARY INFORMATION**



State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2009

**SCHEDULE OF PLEDGED COLLATERAL**

For the year ended June 30, 2009.

Wells Fargo

Cusip	Security Description	Rate	Maturity Date	Original Face	Market Value
3137NNV3	FNCL 257004	6.00	10/01/2037	\$725,000	\$673,785

The accompanying Notes are an integral part of these Financial Statements  
STATEMENT 14

State of New Mexico  
**TOWN OF VAUGHN**  
**SCHEDULE OF BANK DEPOSITORIES**  
June 30, 2009

Bank Name	Account Name	Account Type	Bank Balance	Outstanding Checks	Deposits in Transit	Book Balance
<b>Wells Fargo Bank</b>						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,404	\$ -		\$ 4,404
	Fire Fund	1	1,004	-		1,004
	Ambulance	1	79,625	8,699		70,926
	Senior Citizens Account	1	1,095	-		1,095
	Juvenile Recreation Fund	1	1,019	-		1,019
	Health Services Grant Fund	1	-	-		-
	Municipal Rd 10% Plate Fund	1	50,673	-		50,673
	General Fund	1	173,756	2,285	-	171,471
	Cemotary Fund	1	6,866	-		6,866
	Law Enforcement Protection Fund	1	-	-		-
	Total		<u>318,442</u>	<u>10,984</u>	<u>-</u>	<u>307,458</u>
Business-type Activities						
	Operation and Maintenance	1	43,974	451	-	43,523
	Landfill Account	1	10,937	38		10,899
	Water & Sewer Improvement	1	1	-		1
	Water & Sewer Improvement	1	30,781	-		30,781
	Meter Fund	1	15,330	-		15,330
	Water Department	3	7,270	-		7,270
	Total		<u>108,293</u>	<u>489</u>	<u>-</u>	<u>107,804</u>
	<b>Total Wells Fargo Bank</b>		<u><b>\$ 426,735</b></u>	<u><b>\$ 11,473</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 415,262</b></u>
			476,237			
Everyone's Federal Credit Union						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commerical Dra	1	3,329	-	-	3,329
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Accoun	1	4,566	4,563	-	3
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	11,091	8,547	-	2,544
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Accou	1	5,441	5,016	-	425
	Senior Citizens Fund Share Account	1	25	-	-	25
	CDBG Account	1	50,113	-	-	50,113
	Total Everyone's Federal Credit Union		<u>74,665</u>	<u>18,126</u>	<u>-</u>	<u>56,539</u>
Bank of Albuquerque						
	Trust Service/Debt Service	4	\$ 13,896	\$ -	\$ -	\$ 13,896
	Trust Service/Truck Payment	4	7,676	-	-	7,676
	Total Bank of Albuquerque		<u>\$ 21,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,572</u>
New Mexico Finance Authority						
	State Treasurer D/S	4	\$ 3	\$ -	\$ -	\$ 3
	State Treasurer D/S	4	360	-	-	360
	State Treasurer D/S	4	150	-	-	150
	Total New Mexico Finance Authority		<u>\$ 513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513</u>
<b>Total all accounts</b>			<u><b>\$ 523,485</b></u>	<u><b>\$ 29,599</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 493,886</b></u>

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

SEE INDEPENDENT AUDITORS' REPORT  
The accompanying Notes are an integral part of these Financial Statements  
STATEMENT 15

State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF JOINT POWERS AGREEMENTS  
 For the Year Ended June 30, 2009

I	Participants -	Town of Vaughn (Vaughn) and Guadalupe County (County)
	Responsible for operations -	Vaughn and County
	Description -	County is permitted disposal of solid waste at the Town's landfill.
	Beginning and ending dates -	June 22, 2004 until terminated.
	Total estimated cost -	Town will be compensated \$23.00 per ton of solid waste dumped.
	Town of Vaughn contributions -	Cubic yards at landfill.
	Audit responsibility -	Vaughn and County
	Fiscal agent -	Vaughn
	Agency reporting revenues and expenditures -	Vaughn and County

The accompanying Notes are an integral part of these Financial Statements  
 STATEMENT 16

## **COMPLIANCE SECTION**

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**CALHOON ACCOUNTING & TAX SERVICES  
PO BOX 945  
ESTANCIA, NEW MEXICO 87016**

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

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

I was engaged to audit the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, which collectively comprise the Town of Vaughn's (the "Town") 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 as of and for the year ended June 30, 2009, as listed in the table of contents. I was unable to express an opinion on those financial statements because the Town did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, component unit-housing authority activity, revenues and expenditures.

Internal Control over Financial Reporting

In planning and performing the engagement to audit the financial statements, I considered the Town'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's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town'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. 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. I consider findings 2007-01, 2007-02 and 2009-02, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or a 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 agency's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider findings 2008-10 and 2009-01 as described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

### **Compliance and Other Matters**

As part of being engaged to obtain reasonable assurance about whether the Town's financial Statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 2002-05, 2002-12, 2002-25, 2003-02, 2003-09, 2006-03, 2007-01, 2007-02, and 2007-04.

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

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.

*Calhoon Accounting + Tax Services*

Calhoon Accounting & Tax Services

July 30, 2013



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## **FINDINGS AND RESPONSES**

State of New Mexico  
**TOWN OF VAUGHN**  
SUMMARY OF AUDITOR'S RESULTS  
For the Year Ended June 30, 2009

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Disclaimer

Internal control over financial reporting:

Material weakness identified:

yes

no

Significant deficiencies identified that are not  
considered to be material weaknesses:

yes

no

Noncompliance material to financial statements noted?

yes

no

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2009

**FINANCIAL STATEMENT FINDINGS**

<b><u>Prior Year Findings</u></b>	<b><u>Status</u></b>
2002-05 Debt Service Fund	Repeated
2002-12 Timeliness of Audit Report	Repeated
2002-25 Expenditures in Excess of Budget	Repeated, Revised
2003-02 Funds Omitted From DFA Quarterly Report	Repeated
2003-09 Late Filing of Proposed Budget for Next Fiscal Year	Repeated
2006-03 Management's Discussion and Analysis Not Included	Repeated
2007-01 Capital Assets	Repeated
2007-02 Trial Balance	Repeated
2007-04 Omission of Component Unit	Repeated
2008-10 Cash Controls and Monitoring	Repeated, Revised
2008-11 Revenue Not Recorded	Resolved
2008-12 Compensated Absences	Resolved

**Current Year Findings**

2009-01 Cash Receipts Journals Missing  
2009-02 Bank Reconciliations

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2009

**2002-05 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.

**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.

**Cause:** The staff of the Town was unaware of how to properly account for the retirement of the debt.

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

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

**Management's response:** All intercept agreements will be reported in a Debt Service Fund on all Quarterly Reports to DFA.

**2002-12 Timeliness of Audit Report**

**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.

**Condition:** The New Mexico State Auditor requires the audit to be completed and submitted to his office by December 1, 2009, the report is past due.

**Cause:** The Independent Auditor was contracted years after the audit due date.

**Effect:** The audit was filed late.

**Recommendation:** The Town and its auditor will work together to get the town's audits caught up so that future audits can be completed timely in accordance with state requirements.

**Management's response:** The Town is working with the auditor to get the audits caught up and filed in a timely manner.

State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF FINDINGS AND RESPONSES (continued)  
 For the Year Ended June 30, 2009

**2002-25 Expenditures In Excess of Budgets**

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

**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	5,000	9,437	4,437
Recreation Fund	217	1,000	2,015	1,015
Debt Service	402	-0-	30,506	30,506
Water Fund	505	225,304	292,949	67,645

**Cause:** The Town policies and procedures do not prevent over expenditure of funds and do not require budget adjustments when necessary.

**Effect:** The Town is in violation of applicable laws, regulations and policies established by the Town, State and Department of Finance and Administration.

**Recommendation:** Management implements procedures to prevent budget over expenditures.

**Management’s response:** Budget adjustment request will be made in a timely manner and the budget will be monitored more closely.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2009

**2003-02 Funds Omitted From DFA Quarterly Report**

**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.

**Condition:** Quarterly reports to DFA did not include all Town funds required for the report. Activity for the Debt Service Fund, Street Fund and Airport Capital Project Fund was not completely included in the Town's reports.

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

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

**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 an funds from the report. When monies are received or expended it should be checked against the budget and recorded appropriately.

**Management's response:** All funds will be included in the Quarterly Reports to DFA. A checklist of all funds will be used to ensure all funds are included.

**2003-09 Late Filing of Proposed Budget for Next Fiscal Year**

**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).

**Condition:** A proposed budget for fiscal year ending June 30, 2009 was not submitted in a timely manner to the Local Government Division of the Department of Finance and Administration.

**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.

**Management's 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 RESPONSES (continued)  
For the Year Ended June 30, 2009

**2006-03 Management's Discussion and Analysis (MD&A) Not Included**

**Criteria:** GASB 34 requires that MD&A be included in the financial statements.

**Condition:** MD&A is a required element of the Financial Statements is not included.

**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 reporting.

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

**Management's response:** The Town will attempt to complete its MD&A in the future.

**2007-01 Capital Assets**

**Criteria:** Per state statute 12-6-10, NMSA 1978 and regulation 2.20.1.15 NMAC, the town should establish controls over its fixed assets for the primary purpose of safeguarding them and establishing accountability for their custody and use. Assets must be properly capitalized, classified, valued and depreciated.

**Condition:** The Town does not have a complete listing of capital assets and has not calculated and recorded depreciation expense on those assets.

**Cause:** The Town has not kept a complete inventory of their capital assets.

**Effect:** The failure to maintain adequate capital asset records results in the inability of the Town to maintain control over the capital assets and also results in the Town being noncompliant with state requirements.

**Recommendation:** I recommend that the Town complete an inventory of all their capital assets, including infrastructure and update it annually for any additions or dispositions of assets. Also, those capital assets must be depreciated according to state requirements.

**Management's response:** The Town previously had a list but submitted it to a previous auditor and is unable to retrieve this listing. The Town will work on recreating the previous asset list and maintain it on an ongoing basis.



State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2009

**2007-02 Trial Balance**

**Criteria:** Good accounting practices indicate that the Town's books should be maintained in such a way that a general ledger which balances out by fund be available.

**Condition:** The Town does not maintain a general ledger which balances by fund.

**Cause:** The Town's books are maintained in multiple files which must be pieced together and divided into funds to prepare a general ledger. Records are kept in multiple locations and not filed in a systematic manner.

**Effect:** The result is that the Town doesn't have an accurate day to day general ledger with which to make decisions. The general ledger is difficult to piece together and requires additional time for the auditor to complete the audit.

**Recommendation:** I recommend the Town maintain accounting software so that all transactions are recorded in one file by fund to ensure funds balance to zero. Accounting records should be maintained in one location and made available to the auditor in a timelier manner.

**Management's response:** The Town is now maintaining records in QuickBooks software which should help maintain accurate and timely records that balance by fund. Accounting records are being accumulated and brought to one location and filed in the correct fiscal year.

**2007-04 of Component Unit**

**Criteria:** State Auditor Rule 2.2.2.8 ( J) and Section 12-6-5 NMSA 1978 require good accounting practices to be followed and adequate accounting records to be maintained. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Town's primary government unless the town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements.

**Condition:** The Town has not retained any financial records for their legally separate component unit and therefore; the financial statements do not include financial data for the Town's housing authority.

**Cause:** Failure or lack of internal controls over record keeping.

**Effect:** The Town is omitting financial information for their legally separate component unit.

**Recommendation:** Accounting records and documentation should be maintained adequately.

**Management's response:** The Town is working on improving their system of record retention and documentation maintenance.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2009

**2008-10 Cash Controls and Monitoring**

**Criteria:** The Town is responsible for establishing and maintaining internal controls that include controls over cash and investments in order to meet the financial reporting objectives of the Town.

**Condition:** Several bank accounts were not recorded on the Town's general ledger. Bank accounts are being opened without the proper approval from the Town Council.

**Cause:** The Town did not have a procedure for tracking bank accounts to ensure their inclusion in the general ledger. Employees are being allowed to open bank accounts without the approval of the Town Council.

**Effect:** The amounts reported for cash and investments could be misstated. Additionally, fraud risk is heightened without the proper approval of the Town Council when bank accounts are opened without approval.

**Recommendation:** I recommend the Town review all existing bank accounts and ensure their inclusion in the general ledger. Also, the town should develop and enforce a policy regarding who should be able to open and close bank accounts once approved by the town council.

**Management's response:** The Town will draft policies and procedures and implement internal controls over cash and investments in order to meet the financial reporting objectives of the Town. The Town is currently reconciling all bank statements and verifying that the cash balances in the general ledger are accurate for each fund.

**2009-01 Cash Receipts Journals Missing**

**Criteria:** The Town is responsible for establishing and maintaining internal controls that include controls over cash receipts of the Town.

**Condition:** The Town was unable to locate the cash receipts journals.

**Cause:** The Town did not have adequate internal controls to ensure financial records are retained and stored properly.

**Effect:** The Town is unable to provide support for the cash receipts.

**Recommendation:** The Town should develop and enforce a policy for retaining and storing financial records properly.

**Management's response:** The Town will draft policies and procedures and implement internal controls over the retaining and storing financial records.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2009

**2009-02 Bank Reconciliations**

**Criteria:** Good Accounting practice requires that bank reconciliations be performed monthly.

**Condition:** The Town is not completing accurate bank reconciliations. During the audit, when the auditor tested cash balances, the Town was unable to provide the auditor with correct bank reconciliations.

**Cause:** The Town personnel are not reconciling all bank accounts.

**Effect:** The Trial Balance does not reflect correct balances.

**Recommendation:** The Town should perform bank reconciliations on all bank accounts on a monthly basis and have the Mayor review and sign it.

**Management's response:** The Town will perform monthly bank reconciliations on all bank accounts.

State of New Mexico  
**TOWN OF VAUGHN**  
EXIT CONFERENCE  
For the Year Ended June 30, 2009

**EXIT CONFERENCE**

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on July 30, 2013. Those attending were Paul Madrid Jr., Mayor, Carmen Sisneros, Clerk/Treasurer, Paula Foote, Assistant Clerk and Renea L. Calhoun, CPA. The financial statements and audit report were discussed.

The financial statements presented in this report were prepared by the auditor, Calhoun Accounting and Tax Services.