

STATE OF NEW MEXICO
TOWN OF VAUGHN
Independent Auditors' Report and
Annual Financial Statements
June 30, 2010

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

State of New Mexico
TOWN OF VAUGHN
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June 30, 2010

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State of New Mexico
TOWN OF VAUGHN
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June 30, 2010

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State of New Mexico
TOWN OF VAUGHN
OFFICIAL ROSTER
June 30, 2010

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

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, 2010, 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, 2010, 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, 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, 2010, 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, 2010, 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 January 22, 2014, 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
Estancia, New Mexico
January 22, 2014

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BASIC FINANCIAL STATEMENTS

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State of New Mexico
TOWN OF VAUGHN
Statement of Net Position
As of June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and investments	\$ 246,519	\$ 39,152	\$ 285,671
Cash with paying agent	21,636	1,407	23,043
Receivables, net	49,243	25,742	74,985
Prepaid expenses	7,342	3,299	10,641
Interfund balances	43,780	-	43,780
Bond issuance costs	-	9,725	9,725
Restricted assets:			
Meter deposits	-	23,506	23,506
Capital assets:			
Land and construction work in progress	188,265	19,203	207,468
Other capital assets	7,718,736	4,885,778	12,604,514
	<u>7,907,001</u>	<u>4,904,981</u>	<u>12,811,982</u>
Accumulated depreciation	<u>(1,994,970)</u>	<u>(1,531,842)</u>	<u>(3,526,812)</u>
Net capital assets	<u>5,912,031</u>	<u>3,373,139</u>	<u>9,285,170</u>
Total assets	<u><u>\$ 6,280,551</u></u>	<u><u>\$ 3,475,970</u></u>	<u><u>\$ 9,756,521</u></u>
Liabilities			
Accounts payable and accrued expenses	\$ 19,371	\$ 10,558	\$ 29,929
Accrued and withheld taxes	-	19,994	19,994
Compensated absences - current	6,077	10,607	16,684
Deposits held in trust for others	-	16,211	16,211
Due to other funds	13,258	30,522	43,780
Long-term liabilities:			
Due within one year	28,466	18,292	46,758
NMFA notes payable	73,177	478,000	551,177
Landfill closure costs	-	38,790	38,790
Compensated absences	15,593	-	15,593
Total liabilities	<u><u>\$ 155,942</u></u>	<u><u>\$ 622,974</u></u>	<u><u>\$ 778,916</u></u>
Net Position			
Net investment in capital assets	\$ 5,804,218	\$ 2,838,981	\$ 8,643,199
Restricted for:			
Special revenue	153,319	-	153,319
Capital outlay	-	-	-
Debt service	21,636	-	21,636
Unrestricted for:			
General	145,436	14,015	159,451
Total net position	<u><u>6,124,609</u></u>	<u><u>2,852,996</u></u>	<u><u>8,977,605</u></u>
	<u><u>\$ 6,280,551</u></u>	<u><u>\$ 3,475,970</u></u>	<u><u>\$ 9,756,521</u></u>

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, 2010

Functions/Programs Primary Government:	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
					Governmental Activities	Business-type Activities	Total
Government activities:							
General government	520,610	129,167	103,400	-	\$ (288,043)	\$ -	\$ (288,043)
Public safety	147,254	1,553	67,452	-	(78,249)	-	(78,249)
Highways and streets	33,682	0	21,657	-	(12,025)	-	(12,025)
Health and welfare	120,913	51,189	5,000	-	(64,724)	-	(64,724)
Culture and recreation	99,461	4,499	56,098	-	(38,864)	-	(38,864)
Interest on long-term obligation	2,635	0	0	-	(2,635)	-	(2,635)
Total governmental activities	\$ 924,555	\$ 186,408	\$ 253,607	\$ -	\$ (484,540)	\$ -	\$ (484,540)
Business-type Activities:							
Solid Waste	118,771	109,750	-	-	-	(9,021)	(9,021)
Water and Sewer	343,204	197,721	-	-	-	(145,483)	(145,483)
Total business-type activities	\$ 461,975	\$ 307,471	\$ -	\$ -	\$ -	\$ (154,504)	\$ (154,504)
Total Primary Government	\$ 1,386,530	\$ 493,879	\$ 253,607	\$ -	\$ (484,540)	\$ (154,504)	\$ (639,044)
General Revenues:							
Taxes:					(15,812)		
Property taxes, levied for general purpose					44,023		44,023
Gross receipts taxes, levied for general purposes					179,475		179,475
Other taxes					9,021		9,021
Interest and investment earnings					130		130
Total general revenues					232,649		232,649
Transfers in (out)					-		-
Change in net position					(251,891)	(154,504)	(406,395)
Net position - Beginning					6,376,500	3,007,500	9,384,000
Net position - Ending					\$ 6,124,609	\$ 2,852,996	\$ 8,977,605

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, 2010

	General Fund	Ambulance Fund	Other Governmental Funds	Total Governmental
Assets				
Cash and investments	\$ 131,428	\$ 5,643	\$ 109,448	\$ 246,519
Cash with paying agent	-	-	21,636	21,636
Tax and accounts receivable	12,796	7,203	19,821	39,820
Due from other funds	20,221	-	23,559	43,780
Prepaid Insurance	3,155	1,064	3,123	7,342
Total assets	<u>\$ 167,600</u>	<u>\$ 13,910</u>	<u>\$ 177,587</u>	<u>\$ 359,097</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 5,857	\$ 84	\$ 2,282	\$ 8,223
Accrued salaries & benefits	10,610	-	538	11,148
Accrued compensated absences	5,508	-	569	6,077
Due to other funds	189	4,560	8,509	13,258
Total liabilities	<u>22,164</u>	<u>4,644</u>	<u>11,898</u>	<u>38,706</u>
Fund balance:				
Restricted for:				
General fund	-	-	-	-
Special revenue funds	-	9,266	144,053	153,319
Capital projects fund	-	-	-	-
Debt service fund	-	-	21,636	21,636
Assigned for:				
General fund	-	-	-	-
Special revenue fund	-	-	-	-
Unassigned for:				
Special revenue fund	-	-	-	-
General fund	145,436	-	-	145,436
Total fund balance	<u>145,436</u>	<u>9,266</u>	<u>165,689</u>	<u>320,391</u>
Total liabilities and fund balance	<u>\$ 167,600</u>	<u>\$ 13,910</u>	<u>\$ 177,587</u>	<u>\$ 359,097</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 Position
 As of June 30, 2010

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

Total Fund balances - Governmental Funds		\$ 320,391
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Income that the Town is entitled to at the year end but which is received two months after the balance sheet date is deferred and not recognized as income in the fund statements.		9,423
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

The cost of capital assets is:	\$ 7,907,001	
Accumulated depreciation is	<u>(1,994,970)</u>	5,912,031

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:

Notes payable	(101,643)	
Accrued compensated absences - non current	<u>(15,593)</u>	<u>(117,236)</u>

Total net position-governmental activities		<u>\$ 6,124,609</u>
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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, 2010

	General Fund	Ambulance Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 214,923	\$ 11,807	\$ 30,733	\$ 257,463
Intergovernmental - State	73,402	-	167,095	240,497
Licenses and permits	815	-	-	815
Charges for services	13	-	-	13
Fines and forfeits	54,634	-	-	54,634
Interest on Investments	59	-	-	59
Miscellaneous	80,094	39,338	6,140	125,572
Total revenue	<u>423,940</u>	<u>51,145</u>	<u>203,968</u>	<u>679,053</u>
Expenditures:				
Current				
General government	156,186	-	-	156,186
Public safety	89,723	-	57,531	147,254
Highways and streets	24,408	-	-	24,408
Health and welfare	-	115,741	5,172	120,913
Culture and recreation	33,723	-	65,738	99,461
Public works	-	-	9,274	9,274
Other - miscellaneous	72,982	-	-	72,982
Noncurrent				
Debt service-principal	-	-	27,873	27,873
Debt service-Interest and fiscal charges	-	-	2,635	2,635
Capital outlay	196,195	-	-	196,195
Total expenditures	<u>573,217</u>	<u>115,741</u>	<u>168,223</u>	<u>857,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,277)</u>	<u>(64,596)</u>	<u>35,745</u>	<u>(178,128)</u>
Other financing sources (uses):				
Proceeds from loan	-	-	-	-
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>(149,277)</u>	<u>(64,596)</u>	<u>35,745</u>	<u>(178,128)</u>
Fund balances - beginning of year	<u>294,713</u>	<u>73,862</u>	<u>129,944</u>	<u>498,519</u>
Fund balances - end of year	<u>\$ 145,436</u>	<u>\$ 9,266</u>	<u>\$ 165,689</u>	<u>\$ 320,391</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, 2010

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

Total net change in fund balances - governmental funds		\$ (178,128)
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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	(289,056)		
Capital outlays	<u>196,195</u>		(92,861)

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:

Decrease in receivables	(6,389)		
Increase in compensated absences payable	<u>(2,386)</u>		(8,775)

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>27,873</u>
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Total changes in net position-governmental activities		<u>\$ (251,891)</u>
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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 - General Fund - 101
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 133,360	\$ 133,360	214,923	\$ 81,563
Intergovernmental - State	132,811	132,811	73,402	(59,409)
License and fees	595	595	815	220
Charges for Services	150	150	13	(137)
Fines and forfeits	4,733	4,733	54,634	49,901
Interest on investments	-	-	59	59
Miscellaneous	140,639	140,639	142,284	1,645
Total Revenues	412,288	412,288	486,130	73,842
			62,190	
Expenditures:				
Current:				
General government	197,597	197,597	159,255	38,342
Public safety	146,687	146,687	89,723	56,964
Highways and streets	25,835	25,835	24,408	1,427
Culture and recreation	21,312	21,312	33,723	(12,411)
Other - Miscellaneous	4,149	4,149	72,982	(68,833)
Non-current				
Capital outlay	200,295	200,295	196,195	4,100
Debt service principle	-	-	-	-
Debt service interest	-	-	-	-
Total expenditures	595,875	595,875	576,286	19,589
Excess (deficiency) of revenues over (under) expenditures	(183,587)	(183,587)	(90,156)	54,253
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(183,587)	(183,587)	(90,156)	-
Cash balances - beginning of year	-	-	221,584	-
Cash balances - end of year	\$ (183,587)	\$ (183,587)	\$ 131,428	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (90,156)	
Adjustment to revenues for accruals and other deferrals			(62,190)	
Adjustment to expenditures for payables, prepaids and other accruals			3,069	
Net change in fund balance (GAAP Basis)			\$ (149,277)	

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

EXHIBIT E

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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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous local sources	\$ 66,130	\$ 66,130	\$ 48,543	\$ (17,587)
Total revenue	66,130	66,130	48,543	(17,587)
Expenditures:				
Public Safety:				
Current:				
Personnel services	-	-	-	-
Operating expenses	136,614	136,614	113,826	22,788
Non-current				
Capital outlay	-	-	-	-
Total expenditures	136,614	136,614	113,826	22,788
Excess (deficiency) of revenues over (under) expenditures	(70,484)	(70,484)	(65,283)	5,201
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(70,484)	(70,484)	(65,283)	-
Cash balances - beginning of year	-	-	70,926	-
Cash balances - end of year	\$ (70,484)	\$ (70,484)	\$ 5,643	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (65,283)	
Adjustment to revenues for accruals and other deferrals			2,602	
Adjustment to expenditures for payables, prepaids and other accruals			(1,915)	
Net change in fund balance (GAAP Basis)			\$ (64,596)	

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

EXHIBIT F

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State of New Mexico
TOWN OF VAUGHN
Statement of Net Position - Proprietary Funds
As of June 30, 2010

	Solid Waste	Water and Sewer	Total
Assets			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 9,639	\$ 29,513	\$ 39,152
Cash with paying agent	1,406	1	1,407
Customer accounts receivable, net of allowance for doubtful accounts	3,143	22,599	25,742
Prepaid expenses	639	2,660	3,299
Deferred bond issuance costs	-	9,725	9,725
Total current unrestricted assets	<u>14,827</u>	<u>64,498</u>	<u>79,325</u>
Current assets, restricted:			
Cash, cash equivalents and investments			
Meter deposits	-	23,506	23,506
Total restricted assets	<u>-</u>	<u>23,506</u>	<u>23,506</u>
Total current assets	<u>14,827</u>	<u>88,004</u>	<u>102,831</u>
Capital assets:			
Land and construction work in progress	3,500	15,703	19,203
Other capital assets	340,402	4,545,376	4,885,778
Less: accumulated depreciation	(205,457)	(1,326,385)	(1,531,842)
Net capital assets	<u>138,445</u>	<u>3,234,694</u>	<u>3,373,139</u>
Total assets	<u>\$ 153,272</u>	<u>\$ 3,322,698</u>	<u>\$ 3,475,970</u>
Liabilities and Equity			
Current liabilities, payable from unrestricted assets:			
Accounts Payables	6,941	3,617	10,558
Accrued interest	-	19,994	19,994
Current portion of long-term debt	12,292	6,000	18,292
Compensated absences	1,167	9,440	10,607
Due to other funds	5,795	24,727	30,522
Total current liabilities payable from unrestricted assets	<u>26,195</u>	<u>63,778</u>	<u>89,973</u>
Current liabilities, payable from restricted assets:			
Customer deposits	-	16,211	16,211
Total liabilities payable from restricted assets	<u>-</u>	<u>16,211</u>	<u>16,211</u>
Total current liabilities	<u>26,195</u>	<u>79,989</u>	<u>106,184</u>
Long-term liabilities			
NMFA note payable	-	478,000	478,000
Landfill closure costs	38,790	-	38,790
Total long-term liabilities	<u>38,790</u>	<u>478,000</u>	<u>516,790</u>
Total liabilities	<u>64,985</u>	<u>557,989</u>	<u>622,974</u>
Fund equity:			
Net investment in capital assets	88,287	2,750,694	2,838,981
Unrestricted net assets	-	14,015	14,015
Total net position	<u>\$ 88,287</u>	<u>\$ 2,764,709</u>	<u>\$ 2,852,996</u>

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

EXHIBIT G

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State of New Mexico
TOWN OF VAUGHN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2010

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	\$ 109,750	\$ 197,721	\$ 307,471
Other	-	-	-
Total operating revenue	<u>109,750</u>	<u>197,721</u>	<u>307,471</u>
Operating expenses:			
Personnel services	33,580	88,719	122,299
Operating expenses	37,238	108,280	145,518
Fuel and power/utilities	18,856	16,272	35,128
Depreciation	28,876	104,701	133,577
Other	-	-	-
Total operating expenses	<u>118,550</u>	<u>317,972</u>	<u>436,522</u>
Operating income (loss)	<u>(8,800)</u>	<u>(120,251)</u>	<u>(129,051)</u>
Non-operating income (expenses):			
Interest expense	(221)	(25,232)	(25,453)
Capital grants	-	-	-
Total non-operating income (expenses)	<u>(221)</u>	<u>(25,232)</u>	<u>(25,453)</u>
Transfers in (out)	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(9,021)	(145,483)	(154,504)
Net position, beginning of year	97,307	2,910,193	3,007,500
Net position, end of year	<u>\$ 88,286</u>	<u>\$ 2,764,710</u>	<u>\$ 2,852,996</u>

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

EXHIBIT H

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State of New Mexico
TOWN OF VAUGHN
 Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2010

	Solid Waste	Water and Sewer	Total Governmental Funds
Cash flows from operating activities			
Cash received from customers	\$ 112,299	\$ 195,234	\$ 307,533
Cash paid to and on behalf of employees	(33,185)	(86,424)	(119,609)
Cash paid to vendors for goods and services	(46,026)	(124,645)	(170,671)
Operating grants received	-	-	-
Net cash flow from operating activities	<u>33,088</u>	<u>(15,835)</u>	<u>17,253</u>
Cash flows used for noncapital financing activities			
Operating transfers received (paid)	-	-	-
Net cash flow from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities			
Interest expense	(221)	(22,050)	(22,271)
Loan repayments	-	(6,000)	(6,000)
Capital grant received	-	-	-
Purchase of capital assets	(20,541)	-	(20,541)
Net cash flows from capital and related financing activities	<u>(20,762)</u>	<u>(28,050)</u>	<u>(48,812)</u>
Cash flows form investing activities			
Investment income	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	12,326	(43,885)	(31,559)
Cash and cash equivalents, beginning of year	10,902	96,905	107,807
Cash and cash equivalents, end of year	<u>\$ 23,228</u>	<u>\$ 53,020</u>	<u>\$ 76,248</u>
Shown on statement of net position as:			
Unrestricted cash and cash equivalents	\$ 9,639	\$ 29,513	\$ 39,152
Cash with paying agent	1,406	1	1,407
Restricted cash and cash equivalents	-	23,506	23,506
Total cash on statement of net position	<u>\$ 11,045</u>	<u>\$ 53,020</u>	<u>\$ 64,065</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FORM OPERATING ACTIVITIES			
Net operating Income	\$ (8,800)	\$ (120,251)	\$ (129,051)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	28,876	104,701	133,577
Change in assets and liabilities:			
Receivables	2,549	(4,449)	(1,900)
Prepaid expenses	(83)	(344)	(427)
Accounts payable	2,648	(3,265)	(617)
Accrued payroll expenses	-	(903)	(903)
Compensated absences	395	3,198	3,593
Due to/from other funds	3,193	4,319	7,512
Bond issuance cost	-	278	278
Customer Deposits	-	881	881
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ 33,088</u>	<u>\$ (15,835)</u>	<u>\$ 17,253</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, 2010

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State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Vaughn (Town) was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. 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 and solid waste.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Town is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another government entity, determine or modify its own budget, levy its own tax or set rates or charges, and issue bonded debt. The Town also has no *component units*, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, as there are no other legally separate organizations for which the elected Town Councilors are financially accountable. There are no other primary governments with which the Town has a significant relationship.

The Town of Vaughn previously included a Housing Authority as part of their audit as a component unit. As of June 30, 2009 the Housing Authority is no longer considered a component unit of the Town of Vaughn. The Housing Authority is now part of the Eastern Regional Housing Authority.

B. Government-Wide and Fund Financial Statements

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*.

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

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. An emphasis is placed on major funds within the governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major governmental funds:

The *General Fund* is the governments primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Ambulance Fund* is a special revenue fund. It accounts for funds used to develop an emergency medical system within the county.

The Town also reports its proprietary funds as major funds.

The *Solid Waste Fund* is used to account for the provision of solid waste services to the residents of the Town.

The *Water and Sewer Fund* is used to account for the provision of water and sewer to the residents of the town and others.

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

D. Assets, Liabilities and Net Position or Equity

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

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Governments, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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

Receivables and Payables: 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.

A provision for uncollectible accounts was maintained at June 30, 2010 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.

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, 2010 there were due to/due from accounts in the fund financial statements which are presented in Note 2.

Prepaid Items: 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.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory of Supplies: There were no material amounts of inventory at June 30, 2010. 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.

Capital Assets and Depreciation: Capital assets, which include property plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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

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

For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

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.

Government-Wide Financial Statements: The governmental activities and business-type activities in the government-wide financial statements utilize a net position presentation which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, in accordance with Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* issued by the Governmental Accounting Standards Board (GASB 63). Net position is displayed in three components as follows:

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.

Restricted net position: Reflects the component of net position that have constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or 2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted net position: Reflects the component of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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

Fund Financial Statements Fund Balance: The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement is intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications and clarifying the existing fund balance definitions. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

Nonspendable: includes amounts that cannot be spent because (1) they are either not in spendable form or (2) they are legally or contractually required to be maintained intact.

Restricted: fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.

Assigned: fund balance classification intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned: fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town's policy is to apply restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates: The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Town's financial statements include management's estimate of the useful lives of capital assets.

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).

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 Town 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 Town is liable.

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.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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, 2010.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

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, 2010:

General Fund	<u>Due From</u>	<u>Due To</u>
206 EMS	\$ 349	
214 Lodgers Tax	200	
216 Municipal Street		\$ 189
219 Senior Citizens	\$ 6,960	
509 Ambulance	4,560	
504 Landfill	5,795	
505 Water Utility	<u>2,357</u>	<u>-</u>
Total General Fund	<u>20,221</u>	<u>189</u>
Special Revenue Funds		
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		6,960
509 Ambulance		
101 General Fund		<u>4,560</u>
Total Special Revenue Funds	<u>23,559</u>	<u>13,069</u>
Proprietary Funds		
504 Landfill		
101 General Food		5,795
505 Water Utility		
101 General Fund		2,357
216 Municipal Street		<u>22,370</u>
Total Proprietary Funds	<u>-0-</u>	<u>30,522</u>
Total All Funds	<u>\$43,780</u>	<u>\$43,780</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, 2010

3. **DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts and United States government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2010.

Deposits of funds may be made in interest or noninterest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits: New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, for at least one half of the amount on deposit with the institution. As of June 30, 2010 all monies deposited in various financial institutions are fully insured, no collateral is required.

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.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

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

-- 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, 2010, the carrying amount of the Town Of Vaughn's deposits at Wells Fargo totaled \$177,194 and the bank balances were \$188,500. The carrying amount at Everyone's Federal Credit Union totaled \$131,984 and the bank balances were \$159,558. The Town has \$23,042 at a paying agent. All accounts are carried at cost. All accounts are fully insured by the FDIC.

4. **ACCOUNTS RECEIVABLE**

The accounts receivable of the Town of Vaughn, by fund type, at June 30, 2010 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 2,439	\$ 3,808	
State shared taxes	19,780		
Customer utility accounts			\$ 27,242
Other		<u>23,216</u>	<u>-</u>
	<u>22,219</u>	<u>27,024</u>	<u>27,242</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>1,500</u>
Total	<u>\$ 22,219</u>	<u>\$ 27,024</u>	<u>\$ 25,742</u>

Except as noted, all amounts are considered collectable at June 30, 2010. 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, 2010

5. **CAPITAL ASSETS**

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

Governmental activities	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets not being depreciated:				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	251,377	-	251,377	-
Total	439,642	-	251,377	188,265
Capital assets being depreciated:				
Land improvements	4,639,251	284,977	-	4,924,228
Buildings	1,828,937	143,163	-	1,972,100
Machinery and equipment	222,413	19,432	-	241,845
Vehicles	580,563	-	-	580,563
Total	7,271,164	447,572	-	7,718,736
Less accumulated depreciation for:				
Land improvements	(197,044)	(92,906)	-	(289,950)
Buildings	(957,331)	(76,021)	-	(1,033,352)
Machinery and equipment	(87,139)	(47,721)	-	(134,860)
Vehicles	(464,400)	(72,408)	-	(536,808)
Total	(1,705,914)	(289,056)	-	(1,994,970)
Total capital assets being depreciated, net	5,565,250	(158,516)	-	5,723,766
Total Governmental activities, capital assets, net	<u>\$ 6,004,892</u>	<u>\$ 158,516</u>	<u>\$ -</u>	<u>\$ 5,912,031</u>

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

5. **CAPITAL ASSETS (continued)**

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

Business type activities	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</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>483,740</u>	<u>20,541</u>	<u>-</u>	<u>504,281</u>
Total	4,865,237	20,541	-	4,885,778
Less accumulated depreciation for:				
Buildings	(10,192)	(1,366)	-	(11,558)
Underground lines	(1,150,417)	(86,947)	-	(1,237,364)
Machinery and equipment	<u>(237,656)</u>	<u>(45,264)</u>	<u>-</u>	<u>(282,920)</u>
Total	(1,398,265)	(133,577)	-	(1,531,842)
Total capital assets being depreciated, net	<u>3,466,972</u>	<u>(113,036)</u>	<u>-</u>	<u>3,353,936</u>
Total Business type activities, capital assets, net	<u>\$ 3,486,175</u>	<u>\$ (113,036)</u>	<u>\$ -</u>	<u>\$ 3,373,139</u>

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

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, 2010:

	<u>Balance</u> <u>06/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2010</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 513,475		\$ 18,183	\$ 496,292	\$18,292
Landfill closure costs	34,480	\$ 4,310		38,790	
Compensated absences	<u>7,014</u>	<u>5,985</u>	<u>2,392</u>	<u>10,607</u>	<u>10,607</u>
Total	<u>\$ 554,969</u>	<u>\$ 10,295</u>	<u>\$ 20,575</u>	<u>\$ 545,689</u>	<u>\$28,899</u>

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

<u>Year Ended</u> <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin</u> <u>Fees</u>	<u>Total</u>
2011	18,292	21,866	30	40,459
2012	6,000	21,510	-	40,188
2013	6,000	21,240	-	27,510
2014	7,000	20,970	-	27,240
2015	7,000	20,660	-	27,970
2016-2029	<u>452,000</u>	<u>383,040</u>	-	<u>862,700</u>
 Total	 <u>\$496,292</u>	 <u>\$489,286</u>	 <u>\$ 30</u>	 <u>\$ 985,608</u>

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

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 \$38,790 at June 30, 2010 represent the cumulative amount reported to date based upon approximately 19% 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:

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, 2010.

	<u>Balance</u> <u>06/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2010</u>	<u>Current</u> <u>Portion</u>
Notes payable	\$ 129,516		\$ 27,873	\$ 101,643	\$28,466
Accrued compensated absences	<u>18,992</u>	<u>22,504</u>	<u>19,826</u>	<u>21,670</u>	<u>6,077</u>
Total	<u>\$ 148,508</u>	<u>\$ 22,504</u>	<u>\$ 47,699</u>	<u>\$ 123,313</u>	<u>\$34,543</u>

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 \$14,617 at June 30, 2010.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

7. GOVERNMENTAL LONG-TERM DEBT (continued)

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 \$87,026 at June 30, 2010.

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>
2011	\$ 28,466	\$ 1,789	\$ 254	\$ 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	14,906	534	75	15,515
2016	<u>15,205</u>	<u>274</u>	<u>38</u>	<u>15,517</u>
 Total	 <u>\$101,643</u>	 <u>\$ 5,632</u>	 <u>\$ 810</u>	 <u>\$ 108,085</u>

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</u> <u>Portion</u>	<u>Non-current</u> <u>Portion</u>	<u>Total</u>
General Fund	\$ 5,508	\$ 12,680	\$18,188
Seniors Fund	<u>569</u>	<u>2,913</u>	<u>3,482</u>
Total	<u>\$ 6,077</u>	<u>\$15,593</u>	<u>\$21,670</u>

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

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, 2010, the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2010 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 \$ 44,484 for the fiscal year ended June 30, 2010.

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 \$25 per annum for all businesses within the jurisdiction of the Town. During the fiscal year ended June 30, 2010, the Town collected \$790 in business license fees.

C. **Motor Vehicle Registration Fees**

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

9. **TAXES (continued)**

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 \$1,726 in motor vehicle registration fees for the year ended June 30, 2010.

D. **Excise Tax on Cigarettes**

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

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

Taxes deposited into the County and Municipality Recreation Fund 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.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

9. **TAXES (continued)**

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, 2010, the Town received distributions of cigarette taxes in the amount of \$1,344 in the general fund and \$736 in the recreation fund for a total of \$2,080 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.

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

9. **TAXES (continued)**

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, 2010, the Town earned \$21,426 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, 2010, the Town earned taxes in the amount of \$82,145.

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, 2010, the Town earned \$80,469 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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

10. **RETIREMENT PLAN – Public Employees Retirement Association (continued)**

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.

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 years ended June 30, 2010 and 2009 were \$31,438 and 25,346, respectively 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.

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, 2010:

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: | 06/30/2010 |

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: | 11/03/2010 |

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2010

12. **RISK MANAGEMENT**

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: | 11/03/2010 |

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: | 11/03/2010 |

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, 2010, 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.

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.

	<u>Overspent Amount</u>
Lodgers Tax Fund	\$ 1,271
Cemetery Fund	480
Debt Service Fund	3,008
Solid Waste Fund	33,129
Water Fund	3,925

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2010

14. **SUBSEQUENT EVENTS REVIEW**

The date to which events occurring after June 30, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 22, 2014, 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, 2010

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.

Lodgers Tax - To account for lodgers tax collections. The tax is to be used for cultural and recreational activities. Funding is authorized by NMSA 3-38-14.

Municipal Streets - To account for funds of special gasoline tax for use in repairing and maintaining roads streets for which the Town has responsibility. Funding is authorized by Funding is authorized by NMSA 7-1-6.9 and 7-13-1 to 18.

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.

NON-MAJOR DEBT SERVICE FUND

Debt Service - 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, 2010

	SPECIAL REVENUE FUNDS			
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund
Assets				
Cash and investments	\$ 4,411	\$ 181	\$ 10,290	\$ 4,802
Cash with paying agent	-	-	-	-
Taxes and accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid insurance	-	-	2,059	-
Total assets	\$ 4,411	\$ 181	\$ 12,349	\$ 4,802
 Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 281	\$ 238	\$ -
Accrued salaries and benefits	-	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	-	349	-	-
Total liabilities	-	630	238	-
 Fund Balances				
Nonspendable	-	-	-	-
Restricted for:				
Special revenue funds	4,411	(449)	12,111	4,802
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Assigned for:				
Special revenue funds	-	-	-	-
Unassigned for:				
Special revenue funds	-	-	-	-
Total fund balance	4,411	(449)	12,111	4,802
Total liabilities and fund balance	\$ 4,411	\$ 181	\$ 12,349	\$ 4,802

The accompanying notes are an integral part of these financial statements.
 STATEMENT 1

SPECIAL REVENUE FUNDS

Lodger's Tax Fund	Street Fund	Recreation Fund	Senior Citizens Fund	Cemetery Fund	Debt Service Fund	Total Non-major Funds
\$ 11,782	\$ 62,825	\$ 4,943	\$ 3,492	\$ 6,722	\$ -	\$ 109,448
-	-	-	-	-	21,636	21,636
3,808	1,918	42	14,053	-	-	19,821
-	23,559	-	-	-	-	23,559
-	-	-	1,064	-	-	3,123
<u>\$ 15,590</u>	<u>\$ 88,302</u>	<u>\$ 4,985</u>	<u>\$ 18,609</u>	<u>\$ 6,722</u>	<u>\$ 21,636</u>	<u>\$ 177,587</u>
\$ -	\$ -	\$ -	\$ 1,763	\$ -	\$ -	\$ 2,282
-	-	-	538	-	-	538
-	-	-	569	-	-	569
200	-	1,000	6,960	-	-	8,509
<u>200</u>	<u>-</u>	<u>1,000</u>	<u>9,830</u>	<u>-</u>	<u>-</u>	<u>11,898</u>
-	-	-	-	-	-	-
15,390	88,302	3,985	8,779	6,722	-	144,053
-	-	-	-	-	-	-
-	-	-	-	-	21,636	21,636
-	-	-	-	-	-	-
<u>15,390</u>	<u>88,302</u>	<u>3,985</u>	<u>8,779</u>	<u>6,722</u>	<u>21,636</u>	<u>165,689</u>
<u>\$ 15,590</u>	<u>\$ 88,302</u>	<u>\$ 4,985</u>	<u>\$ 18,609</u>	<u>\$ 6,722</u>	<u>\$ 21,636</u>	<u>\$ 177,587</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, 2010

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund	Lodger's Tax Fund
Revenues:					
Taxes - other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	5,000	47,452	20,000	16,861
Federal grants	-	-	-	-	-
Miscellaneous local sources	7	44	183	1,370	-
Total revenues	<u>7</u>	<u>5,044</u>	<u>47,635</u>	<u>21,370</u>	<u>16,861</u>
Expenditures:					
Current					
Public safety	-	-	41,081	16,450	-
Health and welfare	-	5,172	-	-	-
Culture and recreation	-	-	-	-	1,471
Public works	-	-	-	-	-
Non-Current					
Debt service principal	-	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>5,172</u>	<u>41,081</u>	<u>16,450</u>	<u>1,471</u>
Excess (deficiency) of revenues over (under) expenditures	7	(128)	6,554	4,920	15,390
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	7	(128)	6,554	4,920	15,390
Fund balance, beginning of year	<u>4,404</u>	<u>(321)</u>	<u>5,557</u>	<u>(118)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,411</u>	<u>\$ (449)</u>	<u>\$ 12,111</u>	<u>\$ 4,802</u>	<u>\$ 15,390</u>

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

STATEMENT 2

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Senior Citizens Fund	Cemetery Fund	Debt Service Fund	Total Non-Major Funds
\$ -	\$ 735	\$ -	\$ -	\$ 29,998	\$ 30,733
21,657	27	56,098	-	-	167,095
-	-	-	-	-	-
-	-	3,821	651	64	6,140
<u>21,657</u>	<u>762</u>	<u>59,919</u>	<u>651</u>	<u>30,062</u>	<u>\$ 203,968</u>
-	-	-	-	-	57,531
-	-	-	-	-	5,172
-	173	63,299	795	-	65,738
9,274	-	-	-	-	9,274
-	-	-	-	27,873	27,873
-	-	-	-	2,635	2,635
-	-	-	-	-	-
<u>9,274</u>	<u>173</u>	<u>63,299</u>	<u>795</u>	<u>30,508</u>	<u>168,223</u>
12,383	589	(3,380)	(144)	(446)	35,745
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
12,383	589	(3,380)	(144)	(446)	35,745
75,919	3,396	12,159	6,866	22,082	129,944
<u>\$ 88,302</u>	<u>\$ 3,985</u>	<u>\$ 8,779</u>	<u>\$ 6,722</u>	<u>\$ 21,636</u>	<u>\$ 165,689</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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	62	62	7	(55)
Total revenue	<u>62</u>	<u>62</u>	<u>7</u>	<u>(55)</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	-	-	-	-
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62</u>	<u>62</u>	<u>7</u>	<u>55</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>7</u>	
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,404</u>	
Cash balances - end of year			<u>\$ 4,411</u>	
Net change in fund balance (Non-GAAP Budgetary Basis)			<u>\$ 7</u>	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 7</u>	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Miscellaneous local sources	-	-	44	44
Total revenue	5,000	5,000	5,044	44
Expenditures:				
Public Safety:				
Current:				
Operating expenses	5,000	5,000	4,891	109
Non-current				
Capital outlay	-	-	-	-
Total expenditures	5,000	5,000	4,891	109
Excess (deficiency) of revenues over (under) expenditures	-	-	153	153
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	153	-
Cash balances - beginning of year	-	-	28	
Cash balances - end of year	\$ -	\$ -	\$ 181	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 153	
Adjustment to revenues for accruals and other deferrals			0	
Adjustment to expenditures for payables, prepaids and other accruals			(281)	
Net change in fund balance (GAAP Basis)			\$ (128)	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 63,945	\$ 63,945	\$ 47,452	\$ (16,493)
Miscellaneous local sources	-	-	183	183
Total revenue	<u>63,945</u>	<u>63,945</u>	<u>47,635</u>	<u>(16,310)</u>
Expenditures:				
Public Works:				
Current:				
Salaries and benefits	-	-	-	-
Operating expenses	63,945	63,945	40,918	23,027
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>63,945</u>	<u>63,945</u>	<u>40,918</u>	<u>23,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>6,717</u>	<u>6,717</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>6,717</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>3,573</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,290</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 6,717	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(163)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 6,554</u>	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous local sources	-	-	1,370	1,370
Total revenue	20,000	20,000	21,370	1,370
Expenditures:				
Public Safety:				
Current:				
Operating expenses	20,000	20,000	17,018	2,982
Non-current				
Capital outlay	-	-	-	-
Total expenditures	20,000	20,000	17,018	2,982
Excess (deficiency) of revenues over (under) expenditures	-	-	4,352	4,352
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	4,352	-
Cash balances - beginning of year			450	
Cash balances - end of year	\$ -	\$ -	\$ 4,802	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,352	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			568	
Net change in fund balance (GAAP Basis)			\$ 4,920	

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) - Lodgers Tax Fund - 214
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 73,494	\$ 73,494	\$ 13,053	\$ (60,441)
Miscellaneous local sources	-	-	-	-
Total revenue	73,494	73,494	13,053	(60,441)
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	-	-	1,271	(1,271)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	-	-	1,271	(1,271)
Excess (deficiency) of revenues over (under) expenditures	73,494	73,494	11,782	(61,712)
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	73,494	73,494	11,782	(61,712)
Cash balances - beginning of year	-	-	-	-
Cash balances - end of year	\$ 73,494	\$ 73,494	\$ 11,782	\$ (61,712)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 11,782	
Adjustment to revenues for accruals and other deferrals			3,808	
Adjustment to expenditures for payables, prepaids and other accruals			(200)	
Net change in fund balance (GAAP Basis)			\$ 15,390	

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

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 21,000	\$ 21,000	21,426	\$ 426
CDBG Grant	-	-	-	-
Miscellaneous local sources	-	-	-	-
Total revenue	<u>21,000</u>	<u>21,000</u>	<u>21,426</u>	<u>426</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	57,053	57,053	9,274	47,779
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>57,053</u>	<u>57,053</u>	<u>9,274</u>	<u>47,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,053)</u>	<u>(36,053)</u>	<u>12,152</u>	<u>48,205</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>12,152</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>50,673</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,825</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 12,152	
Adjustment to revenues for accruals and other deferrals			231	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 12,383</u>	

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) - Recreation Fund - 217
 For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 727	\$ 727	\$ 735	\$ 8
Miscellaneous local sources	-	-	8	8
Total revenue	<u>727</u>	<u>727</u>	<u>743</u>	<u>16</u>
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	500	500	173	327
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>500</u>	<u>500</u>	<u>173</u>	<u>327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>227</u>	<u>227</u>	<u>570</u>	<u>343</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>227</u>	<u>227</u>	<u>570</u>	<u>-</u>
Cash balances - beginning of year			4,373	
Cash balances - end of year	<u>\$ 227</u>	<u>\$ 227</u>	<u>\$ 4,943</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 570	
Adjustment to revenues for accruals and other deferrals			19	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 589</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) - Senior Citizens Fund - 219
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 52,566	\$ 52,566	\$ 54,917	\$ 2,351
Federal Funding	15,151	15,151	-	(15,151)
Miscellaneous local sources	3,617	3,617	3,821	204
Total revenue	71,334	71,334	58,738	(12,596)
Expenditures:				
Culture and recreation:				
Current:				
Personal services	-	-	-	-
Operating expenses	71,334	71,334	56,366	14,968
Non-current				
Capital outlay	-	-	-	-
Total expenditures	71,334	71,334	56,366	14,968
Excess (deficiency) of revenues over (under) expenditures	-	-	2,372	2,372
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	2,372	-
Cash balances - beginning of year	-	-	1,120	-
Cash balances - end of year	\$ -	\$ -	\$ 3,492	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,372	
Adjustment to revenues for accruals and other deferrals			1,181	
Adjustment to expenditures for payables, prepaids and other accruals			(6,933)	
Net change in fund balance (GAAP Basis)			\$ (3,380)	

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) - Cemetery Fund - 510
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Miscellaneous local sources	\$ 315	\$ 315	\$ 651	\$ 336
Total revenue	<u>315</u>	<u>315</u>	<u>651</u>	<u>336</u>
Expenditures:				
Health and welfare:				
Current:				
Operating expenses	315	315	795	(480)
Total expenditures	<u>315</u>	<u>315</u>	<u>795</u>	<u>(480)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(144)</u>	<u>(144)</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>(144)</u>	<u>-</u>
Cash balances - beginning of year			6,866	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,722</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (144)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (144)</u>	

The accompanying notes are an integral part of these Financial Statements.
STATEMENT 11

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 27,600	\$ 27,600	30,062	\$ 2,462
Total revenue	<u>27,600</u>	<u>27,600</u>	<u>30,062</u>	<u>2,462</u>
Expenditures:				
Non-current:				
Debt service:				
Principal payment	27,500	27,500	27,873	(373)
Interest payment	-	-	2,311	(2,311)
Agent fees	-	-	324	(324)
Total expenditures	<u>27,500</u>	<u>27,500</u>	<u>30,508</u>	<u>(3,008)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100</u>	<u>100</u>	<u>(446)</u>	<u>(546)</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>100</u>	<u>100</u>	<u>(446)</u>	<u>-</u>
Cash balances - beginning of year			<u>22,082</u>	
Cash balances - end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 21,636</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (446)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (446)</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) - Solid Waste Fund - 504
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sales and services	72,366	72,366	112,299	39,933
Other local sources	-	-	-	-
Total revenues	<u>72,366</u>	<u>72,366</u>	<u>112,299</u>	<u>39,933</u>
Expenses				
Current				
Operating expenses	75,000	79,027	79,211	(184)
Non-current				
Debt service	-	-	12,183	(12,183)
Interest and fiscal charges	-	-	221	(221)
Capital outlay	-	-	20,541	(20,541)
Total expenses	<u>75,000</u>	<u>79,027</u>	<u>112,156</u>	<u>(33,129)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,634)</u>	<u>(6,661)</u>	<u>143</u>	<u>6,804</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(5,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(8,230)</u>	<u>(6,661)</u>	<u>143</u>	<u>6,804</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>10,902</u>	
Cash balances - end of year	<u>\$ (8,230)</u>	<u>\$ (6,661)</u>	<u>\$ 11,045</u>	<u>\$ 6,804</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 143	
Adjustment to revenues for accruals and other deferrals			(2,549)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(6,615)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (9,021)</u>	

The accompanying notes are an integral part of these Financial Statements.
STATEMENT 13

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales and services	\$ 236,183	\$ 236,183	\$ 195,234	\$ (40,949)
Other	-	-	-	-
Total revenues	<u>236,183</u>	<u>236,183</u>	<u>195,234</u>	<u>(40,949)</u>
Expenses				
Current				
Personnel services	-	-	86,424	(86,424)
Operating expenses	207,694	207,694	108,373	99,321
Fuel and power utilities	-	-	16,272	(16,272)
Non-current				
Debt service	-	-	6,000	(6,000)
Interest and fiscal charges	-	-	22,050	(22,050)
Capital outlay	27,500	27,500	-	27,500
Total expenses	<u>235,194</u>	<u>235,194</u>	<u>239,119</u>	<u>(3,925)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>989</u>	<u>989</u>	<u>(43,885)</u>	<u>(37,024)</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>989</u>	<u>989</u>	<u>(43,885)</u>	<u>(37,024)</u>
Cash balances - beginning of year	-	-	96,905	
Cash balances - end of year	<u>\$ 989</u>	<u>\$ 989</u>	<u>\$ 53,020</u>	<u>\$ (37,024)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (43,885)	
Adjustment to revenues for accruals and other deferrals			2,487	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(104,085)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (145,483)</u>	

SEE INDEPENDENT AUDITOR'S REPORTS

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

STATEMENT 14

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OTHER SUPPLEMENTARY INFORMATION

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF BANK DEPOSITORIES
June 30, 2010

Bank Name	Account Name	Account Type	Bank Balance	Outstanding Checks	Deposits in Transit	Book Balance
Wells Fargo Bank						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,411	\$ -	-	\$ 4,411
	Fire Fund	1	-	-	-	-
	Ambulance	1	-	-	-	-
	Senior Citizens Account	1	-	-	-	-
	Juvenile Recreation Fund	1	300	-	-	300
	Health Services Grant Fund	1	-	-	-	-
	Municipal Rd 10% Plate Fund	1	62,825	-	-	62,825
	General Fund	1	92,562	11,306	-	81,256
	Cemetery Fund	1	-	-	-	-
	Law Enforcement Protection Fund	1	-	-	-	-
	Total		160,098	11,306	-	148,792
Business-type Activities						
	Operation and Maintenance	1	-	-	-	-
	Landfill Account	1	-	-	-	-
	Water & Sewer Improvement	1	1	-	-	1
	Water & Sewer Improvement	1	21,131	-	-	21,131
	Meter Fund	1	-	-	-	-
	Water Department	3	7,270	-	-	7,270
	Total		28,402	-	-	28,402
	Total Wells Fargo Bank		\$ 188,500	\$ 11,306	\$ -	\$ 177,194
Everyone's Federal Credit Union						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commercial Drs	1	4,618	-	-	4,618
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Account	1	2,125	1,969	-	156
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	11,435	1,170	-	10,265
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Acco	1	8,586	3,809	-	4,777
	Senior Citizens Fund Share Account	1	25	-	-	25
	Senior Citizens Commercial Draft Account	1	6,776	3,309	-	3,467
	Ambulance Service Fund Share Account	1	25	-	-	25
	Ambulance Service Commercial Draft Acc	1	12,328	6,710	-	5,618
	Operation & Maintenance Fund Share Acco	1	25	-	-	25
	Operation & Maintenance Commercial Drs	1	18,212	9,855	-	8,357
	Landfill Operations Share Account	1	101	-	-	101
	Landfill Operations Commercial Draft Acco	1	10,010	472	-	9,538
	Cemetery Share Account	1	25	-	-	25
	Cemetery Commercial Draft Account	1	6,697	-	-	6,697
	Meter Fund Share Account	1	25	-	-	25
	Meter Fund Commercial Draft	1	16,211	-	-	16,211
	Lodgers Tax Fund Share Account	1	25	-	-	25
	Lodgers Tax Fund Commercial Draft Acco	1	12,037	280	-	11,757
	CDBG Account	1	50,172	-	-	50,172
	Total Everyone's Federal Credit Union		159,558	27,574	-	131,984
Bank of Albuquerque						
	Trust Service/Debt Service	4	\$ 13,913	\$ -	\$ -	\$ 13,913
	Trust Service/Truck Payment	4	-	-	-	-
	Total Bank of Albuquerque		\$ 13,913	\$ -	\$ -	\$ 13,913
New Mexico Finance Authority						
	State Treasurer D/S	4	\$ 1,406	\$ -	\$ -	\$ 1,406
	State Treasurer D/S	4	7,705	-	-	7,705
	State Treasurer D/S	4	18	-	-	18
	Total New Mexico Finance Authority		\$ 9,129	\$ -	\$ -	\$ 9,129
	Total all accounts		\$ 371,100	\$ 38,880	\$ -	\$ 332,220

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

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Year Ended June 30, 2010

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

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COMPLIANCE SECTION

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

**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, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Vaughn, as of and for the year ended June 30, 2010, and have issued my report thereon dated January 22, 2014. I was unable to conduct my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I was unable to express an opinion on those financial statements because the Town of Vaughn did not maintain sufficient internal controls and/or adequate records of its cash and investments, capital assets, revenues and expenditures.

Internal Control over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. The material weaknesses as findings 2008-10 and 2009-01

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described as findings 2007-01, 2007-02, 2010-01, 2010-02, 2010-03 in the accompanying schedule of findings and responses to be significant deficiencies.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Vaughn's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, 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 questioned costs as items 2002-12, 2002-25, 2003-02, 2003-09, 2006-03, 2007-01, 2007-02, and 2010-04.

The Town of Vaughn's Response to Findings

The Town of Vaughn's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Town of Vaughn's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Calhoon Accounting & Tax Services

Calhoon Accounting & Tax Services

Estancia, New Mexico

January 22, 2014

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FINDINGS AND RESPONSES

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State of New Mexico
TOWN OF VAUGHN
SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2010

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

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2010

FINANCIAL STATEMENT FINDINGS

<u>Prior Year Findings</u>	<u>Status</u>
2002-05 Debt Service Fund	Resolved
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	Resolved
2008-10 Cash Controls and Monitoring	Repeated
2009-01 Cash Receipts Journals Missing	Repeated
2009-02 Bank Reconciliations	Resolved

Current Year Findings

2010-01 Missing Cancelled Checks
2010-02 Missing 941 Reports
2010-03 Accounts Receivable and Accounts Payable
2010-04 Insufficient Controls over PERA Withholding

State of New Mexico
TOWN OF VAUGHN
 SCHEDULE OF FINDINGS AND RESPONSES (continued)
 For the Year Ended June 30, 2010

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, 2010, 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.

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>
Lodgers Tax Fund	214	-0 -	1,271	1,271
Cemetery Fund	510	315	795	480
Debt Service Fund	402	27,500	30,508	3,008
Solid Waste Fund	504	79,027	112,156	33,129
Water Fund	505	235,194	239,119	3,925

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, 2010

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, 2010 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, 2010

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, 2010

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.

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 and closed 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 and close 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 or closed 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.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2010

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.

2010-01 Missing Cancelled Checks

Criteria: Good accounting and internal control policies and procedures require that all canceled checks be accounted for in order that they may be inspected by Town personnel to ensure checks are properly issued and cashed.

Condition: No cancelled checks were available for inspection for audit purposes.

Cause: The Town does not require their bank to return cancelled checks with the monthly bank statements.

Effect: The Town is at risk of not being able to detect improper transactions.

Recommendation: The Town should require their bank to return all cancelled checks and take steps to safeguard all cancelled checks.

Management's response: The Town will request cancelled checks be returned with each bank statement on a monthly basis from the bank.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2010

2010-02 Missing 941 Tax Reports

Criteria: The State Auditor Rule 2.2.2 and Section 12-6-5 NMSA 1978 require good accounting practices to be followed and adequate accounting records to be maintained.

Condition: Two of the four quarterly 941 tax reports were missing.

Cause: The Town was unable to find the missing 941 reports and they were unable to verify if they had been submitted to the IRS.

Effect: The Town is at risk of not being able to detect improper transactions that may lead to financial information being materially inaccurate and possible tax penalties being imposed.

Recommendation: I recommend the Town implement policies and procedures to ensure that records and documentation are maintained adequately to support balances per accounting records.

Management's response: The Town will continue to develop procedures for safeguarding all accounting records and documents.

2010-03 Accounts Receivable and Accounts Payable Listings

Criteria: 2011 Government Auditing Standards Section 3.40 as well as 6.20.2.13(D) NMAC, states the Town is required to prepare accurate account balances for financial presentation.

Condition: The Town was unable to prepare a listing of accounts receivable and accounts payable.

Cause: Preparing an accurate accounts receivable and accounts payable subledger is essential to the Town's operational and management decisions. The Town's inability to prepare a subledger of accounts receivable and account payable could lead to misstating the balances in the proper periods.

Effect: The Town was unable to prepare a listing of accounts receivable and accounts payable for the fiscal year end.

Recommendation: The Town should review all outstanding receipts and expenditures at year end to ensure they are added to the listing of accounts receivable or accounts payable as necessary.

Management's response: The Town will provide the auditor a listing of accounts receivable and accounts payables in the future audits.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2010

2010-04 Insufficient Controls over PERA Withholding

Criteria: The Town to is responsible for withholding a percentage of employee's wages for PERA from all members, unless they meet the statutory exemption in accordance with the State Auditor Rule 2.2.2.10 G (7) and Section 10-11-1 to 10-11-141 NMSA 1978.

Condition: The Town was not withholding the correct percentage rate from employee's wages for 12 out of 26 payrolls.

Cause: Town incorrectly calculated the amount for withholding for PERA for the employee's share.

Effect: The Town paid PERA correctly; however, the Town did not withhold from personnel's wages correctly, incurring additional cost to the Town.

Recommendation: The Town should verify the amount withheld for PERA from employee's wages matches the amount actually paid to PERA. Resolve and correct any deficiencies noted.

Management's response: The Town will implement additional procedures to prevent the event from occurring in the future.

State of New Mexico
TOWN OF VAUGHN
EXIT CONFERENCE
For the Year Ended June 30, 2010

EXIT CONFERENCE

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on January 22, 2014. Those attending were Paul Madrid Jr., Mayor, Richard Gallegos, Mayor Pro-Tem, Carmen Sisneros, Clerk/Treasurer, Paula Foote, Assistant Clerk and Renea L. Calhoon, CPA. The financial statements and audit report were discussed.

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