

STATE OF NEW MEXICO  
**TOWN OF VAUGHN**  
Independent Auditors' Report and  
Annual Financial Statements  
June 30, 2011

State of New Mexico  
**TOWN OF VAUGHN**  
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June 30, 2011

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State of New Mexico  
**TOWN OF VAUGHN**  
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State of New Mexico  
**TOWN OF VAUGHN**  
OFFICIAL ROSTER  
June 30, 2011

**TOWN COUNCIL**

Roman Garcia	Mayor
Billy Lucero	Member
Pat Maes	Member
Rudy Martinez	Member
Lalo Padilla	Member

**TOWN ADMINISTRATION**

Carmen Sisneros-Langley	Clerk and Treasurer
Paula Foote	Assistant Clerk

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## FINANCIAL SECTION

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

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**INDEPENDENT AUDITOR'S REPORT**

Mr. Hector H. Balderas, State Auditor  
Mr. Roman Garcia, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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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In accordance with *Government Auditing Standards*, I have also issued a report dated April 10, 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  
April 10, 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, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 204,245	\$ 38,525	\$ 242,770
Cash with paying agent	13,977	1,421	15,398
Receivables, net	36,398	29,182	65,580
Prepaid expenses	3,237	-	3,237
Interfund balances	44,158	-	44,158
Bond issuance costs	-	9,447	9,447
Restricted assets:			
Meter deposits	-	22,354	22,354
Capital assets:			
Land and construction work in progress	188,265	19,203	207,468
Other capital assets	7,799,983	4,735,778	12,535,761
	7,988,248	4,754,981	12,743,229
Accumulated depreciation	(2,213,768)	(1,515,761)	(3,729,529)
Net capital assets	5,774,480	3,239,220	9,013,700
<b>Total assets</b>	<b>\$ 6,076,495</b>	<b>\$ 3,340,149</b>	<b>\$ 9,416,644</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 14,288	\$ 238,486	\$ 252,774
Compensated absences - current	10,865	10,604	21,469
Deposits held in trust for others	-	15,029	15,029
Due to other funds	13,636	30,522	44,158
Long-term liabilities:			
Due within one year	14,093	6,000	20,093
NMFA notes payable	59,084	472,000	531,084
Landfill closure costs	-	43,100	43,100
Compensated absences	21,449	-	21,449
<b>Total liabilities</b>	<b>\$ 133,415</b>	<b>\$ 815,741</b>	<b>\$ 949,156</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 5,679,854	\$ 2,492,973	\$ 8,172,827
Restricted for:			
Special revenue	172,725	-	172,725
Capital outlay	613	-	613
Debt service	13,977	-	13,977
Unrestricted for:			
General	75,911	31,435	107,346
<b>Total net position</b>	<b>5,943,080</b>	<b>2,524,408</b>	<b>8,467,488</b>
	<b>\$ 6,076,495</b>	<b>\$ 3,340,149</b>	<b>\$ 9,416,644</b>

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

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State of New Mexico  
TOWN OF VAUGHN  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs Primary Government:	Net (Expenses) Revenues and Changes in Net Assets						
	Primary Government						
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government activities:							
General government	633,702	214,296	56,998	79,648	\$ (282,760)	\$ -	\$ (282,760)
Public safety	195,676	11,353	77,707	-	(106,616)	-	(106,616)
Highways and streets	63,422	-	23,349	-	(40,073)	-	(40,073)
Health and welfare	68,289	10,236	5,000	-	(53,053)	-	(53,053)
Culture and recreation	119,185	9,192	84,509	-	(25,484)	-	(25,484)
Interest on long-term obligation	2,043	-	-	-	(2,043)	-	(2,043)
Total governmental activities	\$ 1,082,317	\$ 245,077	\$ 247,563	\$ 79,648	\$ (510,029)	\$ -	\$ (510,029)
Business-type Activities:							
Solid Waste	304,706	73,103	-	-	-	(231,603)	(231,603)
Water and Sewer	387,747	290,761	-	-	-	(96,986)	(96,986)
Total business-type activities	\$ 692,453	\$ 363,864	\$ -	\$ -	\$ -	\$ (328,589)	\$ (328,589)
Total Primary Government	\$ 1,774,770	\$ 608,941	\$ 247,563	\$ 79,648	\$ (510,029)	\$ (328,589)	\$ (838,618)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					43,418	-	43,418
Gross receipts taxes, levied for general purposes					277,253	-	277,253
Other taxes					7,765	-	7,765
Interest and investment earnings					64	-	64
Total general revenues					328,500	-	328,500
Transfers in (out)					-	-	-
Change in net position					(181,529)	(328,589)	(510,118)
Net position - Beginning					6,124,609	2,852,997	8,977,606
Net position - Ending					\$ 5,943,080	\$ 2,524,408	\$ 8,467,488

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, 2011

	General Fund	Fire Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental
<b>Assets</b>					
Cash and investments	\$ 49,557	\$ 5,034	\$ 33,375	\$ 116,279	\$ 204,245
Cash with paying agent	-	-	-	13,977	13,977
Tax and accounts receivable	12,702	-	-	12,493	25,195
Due from other funds	20,599	-	-	23,559	44,158
Prepaid Insurance	3,237	-	-	-	3,237
Total assets	<u>\$ 86,095</u>	<u>\$ 5,034</u>	<u>\$ 33,375</u>	<u>\$ 166,308</u>	<u>\$ 290,812</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 3,635	\$ 168	\$ 983	\$ 793	\$ 5,579
Accrued salaries & benefits	8,709	-	-	-	8,709
Accrued compensated absences	8,854	-	2,011	-	10,865
Due to other funds	189	-	6,960	6,487	13,636
Total liabilities	<u>21,387</u>	<u>168</u>	<u>9,954</u>	<u>7,280</u>	<u>38,789</u>
<b>Fund balance:</b>					
<b>Restricted for:</b>					
General fund	-	-	-	-	-
Special revenue funds	-	4,866	23,421	144,438	172,725
Capital projects fund	-	-	-	613	613
Debt service fund	-	-	-	13,977	13,977
<b>Assigned for:</b>					
General fund	-	-	-	-	-
Special revenue fund	-	-	-	-	-
<b>Unassigned for:</b>					
Special revenue fund	-	-	-	-	-
General fund	64,708	-	-	-	64,708
Total fund balance	<u>64,708</u>	<u>4,866</u>	<u>23,421</u>	<u>159,028</u>	<u>252,023</u>
Total liabilities and fund balance	<u>\$ 86,095</u>	<u>\$ 5,034</u>	<u>\$ 33,375</u>	<u>\$ 166,308</u>	<u>\$ 290,812</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, 2011

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

Total Fund balances - Governmental Funds		\$ 252,023
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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.		11,203
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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:	7,988,248.00		
Accumulated depreciation is	<u>(2,213,768)</u>	5,774,480	

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	(73,177)		
Accrued compensated absences - non current	<u>(21,449)</u>	<u>(94,626)</u>	

Total net position-governmental activities		<u>\$ 5,943,080</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, 2011

	General Fund	Fire Fund	Senior Citizens Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 217,784	\$ -	\$ -	\$ 77,017	\$ 294,801
Intergovernmental - State	56,998	57,707	84,509	105,037	304,251
Licenses and permits	500	-	-	-	500
Charges for services	8	-	-	-	8
Fines and forfeits	84,909	-	-	-	84,909
Interest on Investments	0	-	-	-	-
Miscellaneous	129,257	9,748	5,384	13,090	157,479
Grant revenue	-	-	-	56,860	56,860
Total revenue	<u>489,456</u>	<u>67,455</u>	<u>89,893</u>	<u>252,004</u>	<u>898,808</u>
<b>Expenditures:</b>					
<b>Current</b>					
General government	389,403	-	-	-	389,403
Public safety	94,595	74,700	-	26,381	195,676
Highways and streets	20,668	-	-	-	20,668
Health and welfare	-	-	-	68,289	68,289
Culture and recreation	23,257	-	75,251	22,861	121,369
Public works	-	-	-	42,754	42,754
Other - miscellaneous	17,261	-	-	-	17,261
<b>Noncurrent</b>					
Debt service-principal	-	-	-	28,466	28,466
Debt service-Interest and fiscal charges	-	-	-	2,043	2,043
Capital outlay	25,000	-	-	56,247	81,247
Total expenditures	<u>570,184</u>	<u>74,700</u>	<u>75,251</u>	<u>247,041</u>	<u>967,176</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,728)</u>	<u>(7,245)</u>	<u>14,642</u>	<u>4,963</u>	<u>(68,368)</u>
<b>Other financing sources (uses):</b>					
Proceeds from loan	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(80,728)	(7,245)	14,642	4,963	(68,368)
Fund balances - beginning of year	<u>145,436</u>	<u>12,111</u>	<u>8,779</u>	<u>154,065</u>	<u>320,391</u>
Fund balances - end of year	<u>\$ 64,708</u>	<u>\$ 4,866</u>	<u>\$ 23,421</u>	<u>\$ 159,028</u>	<u>\$ 252,023</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, 2011

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

Total net change in fund balances - governmental funds		\$ (68,368)
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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	(218,798)	
Capital outlays	<u>81,247</u>	(137,551)

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

Increase in receivables	1,780	
Increase in compensated absences payable	<u>(5,856)</u>	(4,076)

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>28,466</u>
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Total changes in net position-governmental activities	<u>\$ (181,529)</u>
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The accompanying notes are an integral part of these financial statements.  
 EXHIBIT D, continued

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual - General Fund - 101  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 130,262	\$ 130,262	217,784	\$ 87,522
Intergovernmental - State	154,406	154,406	56,998	(97,408)
License and fees	787	787	500	(287)
Charges for Services	100	100	8	(92)
Fines and forfeits	12,000	12,000	84,909	72,909
Interest on investments	-	-	-	-
Miscellaneous	142,949	142,949	128,973	(13,976)
<b>Total Revenues</b>	<u>440,504</u>	<u>440,504</u>	<u>489,172</u>	<u>48,668</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	301,999	301,999	390,262	(88,263)
Public safety	93,257	93,257	94,595	(1,338)
Highways and streets	23,912	23,912	20,668	3,244
Culture and recreation	9,193	9,193	23,257	(14,064)
Other - Miscellaneous	40,000	40,000	17,261	22,739
<b>Non-current</b>				
Capital outlay	-	-	25,000	(25,000)
Debt service principle	-	-	-	-
Debt service interest	-	-	-	-
<b>Total expenditures</b>	<u>468,361</u>	<u>468,361</u>	<u>571,043</u>	<u>(102,682)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(27,857)</u>	<u>(27,857)</u>	<u>(81,871)</u>	<u>151,350</u>
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	-	16,000	-	16,000
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>16,000</u>
<b>Net change in fund balances</b>	<u>(27,857)</u>	<u>(11,857)</u>	<u>(81,871)</u>	<u>-</u>
Cash balances - beginning of year	-	-	131,428	-
Cash balances - end of year	<u>\$ (27,857)</u>	<u>\$ (11,857)</u>	<u>\$ 49,557</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (81,871)	
Adjustment to revenues for accruals and other deferrals			284	
Adjustment to expenditures for payables, prepaids and other accruals			859	
Net change in fund balance (GAAP Basis)			<u>\$ (80,728)</u>	

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, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual - Fire Protection Fund - 209  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 63,945	\$ 63,945	57,707	\$ (6,238)
Miscellaneous local sources	5,069	5,069	9,748	4,679
Total revenue	<u>69,014</u>	<u>69,014</u>	<u>67,455</u>	<u>(1,559)</u>
<b>Expenditures:</b>				
<b>Public Works:</b>				
<b>Current:</b>				
Operating expenses	63,945	63,945	72,711	(8,766)
<b>Non-current</b>				
Capital outlay	-	-	-	-
Total expenditures	<u>63,945</u>	<u>63,945</u>	<u>72,711</u>	<u>(8,766)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,069</u>	<u>5,069</u>	<u>(5,256)</u>	<u>(10,325)</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>5,069</u>	<u>5,069</u>	<u>(5,256)</u>	<u>-</u>
Cash balances - beginning of year	-	-	10,290	
Cash balances - end of year	<u>\$ 5,069</u>	<u>\$ 5,069</u>	<u>\$ 5,034</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (5,256)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,989)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (7,245)</u>	

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 Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Senior Citizens Fund - 219  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 50,358	\$ 50,358	\$ 98,562	\$ 48,204
Federal Funding	14,814	14,814	-	(14,814)
Miscellaneous local sources	3,378	3,378	5,384	2,006
<b>Total revenue</b>	<u>68,550</u>	<u>68,550</u>	<u>103,946</u>	<u>35,396</u>
<b>Expenditures:</b>				
Culture and recreation:				
Current:				
Personal services	-	-	47,903	(47,903)
Operating expenses	68,550	68,550	26,160	42,390
Non-current				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>68,550</u>	<u>68,550</u>	<u>74,063</u>	<u>(5,513)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>29,883</u>	<u>29,883</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>29,883</u>	<u>-</u>
<b>Cash balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>3,492</u>	<u>-</u>
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,375</u>	<u>\$ -</u>
<b>Net change in fund balance (Non-GAAP Budgetary Basis)</b>			<u>\$ 29,883</u>	
Adjustment to revenues for accruals and other deferrals			(14,053)	
Adjustment to expenditures for payables, prepaids and other accruals			(1,188)	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 14,642</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 Net Position - Proprietary Funds  
As of June 30, 2011

	Solid Waste	Water and Sewer	Total
<b>Assets</b>			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 5,961	\$ 32,564	\$ 38,525
Cash with paying agent	1,420	1	1,421
Customer accounts receivable, net of allowance for doubtful accounts	4,860	24,322	29,182
Deferred bond issuance costs	-	9,447	9,447
Total current unrestricted assets	<u>12,241</u>	<u>66,334</u>	<u>78,575</u>
Current assets, restricted:			
Cash, cash equivalents and investments			
Meter deposits	-	22,354	22,354
Total restricted assets	<u>-</u>	<u>22,354</u>	<u>22,354</u>
Total current assets	<u>12,241</u>	<u>88,688</u>	<u>100,929</u>
Capital assets:			
Land and construction work in progress	3,500	15,703	19,203
Other capital assets	190,402	4,545,376	4,735,778
Less: accumulated depreciation	(84,674)	(1,431,087)	(1,515,761)
Net capital assets	<u>109,228</u>	<u>3,129,992</u>	<u>3,239,220</u>
Total assets	<u>\$ 121,469</u>	<u>\$ 3,218,680</u>	<u>\$ 3,340,149</u>
<b>Liabilities and Equity</b>			
Current liabilities, payable from unrestricted assets:			
Accounts Payables	214,723	4,045	218,768
Accrued interest	-	19,718	19,718
Current portion of long-term debt	-	6,000	6,000
Compensated absences	1,167	9,437	10,604
Due to other funds	5,795	24,727	30,522
Total current liabilities payable from unrestricted assets	<u>221,685</u>	<u>63,927</u>	<u>285,612</u>
Current liabilities, payable from restricted assets:			
Customer deposits	-	15,029	15,029
Total liabilities payable from restricted assets	<u>-</u>	<u>15,029</u>	<u>15,029</u>
Total current liabilities	<u>221,685</u>	<u>78,956</u>	<u>300,641</u>
Long-term liabilities			
NMFA note payable	-	472,000	472,000
Landfill closure costs	43,100	-	43,100
Total long-term liabilities	<u>43,100</u>	<u>472,000</u>	<u>515,100</u>
Total liabilities	<u>\$ 264,785</u>	<u>\$ 550,956</u>	<u>\$ 815,741</u>
Fund equity:			
Net investment in capital assets	\$ (143,316)	\$ 2,636,289	\$ 2,492,973
Unrestricted net assets	<u>-</u>	<u>31,435</u>	<u>31,435</u>
Total net position	<u>\$ (143,316)</u>	<u>\$ 2,667,724</u>	<u>\$ 2,524,408</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 Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2011

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	\$ 73,103	\$ 290,689	\$ 363,792
Other	-	72	72
Total operating revenue	<u>73,103</u>	<u>290,761</u>	<u>363,864</u>
Operating expenses:			
Personnel services	28,293	66,589	94,882
Operating expenses	231,841	194,953	426,794
Fuel and power/utilities	15,238	-	15,238
Depreciation	29,217	104,701	133,918
Other	-	-	-
Total operating expenses	<u>304,589</u>	<u>366,243</u>	<u>670,832</u>
Operating income (loss)	<u>(231,486)</u>	<u>(75,482)</u>	<u>(306,968)</u>
Non-operating income (expenses):			
Interest expense	<u>(117)</u>	<u>(21,504)</u>	<u>(21,621)</u>
Total non-operating income (expenses)	<u>(117)</u>	<u>(21,504)</u>	<u>(21,621)</u>
Transfers in (out)			
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(231,603)	(96,986)	(328,589)
Net position, beginning of year	88,287	2,764,710	2,852,997
Net position, end of year	<u>\$ (143,316)</u>	<u>\$ 2,667,724</u>	<u>\$ 2,524,408</u>

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

EXHIBIT I

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	Solid Waste	Water and Sewer	Total Governmental Funds
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 71,386	289,038	\$ 360,424
Cash paid to and on behalf of employees	(28,293)	(66,592)	(94,885)
Cash paid to vendors for goods and services	(34,348)	(192,767)	(227,115)
Net cash flow from operating activities	<u>8,745</u>	<u>29,679</u>	<u>38,424</u>
<b>Cash flows used for noncapital financing activities</b>			
Operating transfers received (paid)	-	-	-
Net cash flow from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Interest expense	(117)	(21,780)	(21,897)
Loan repayments	-	(6,000)	(6,000)
Net cash flows from capital and related financing activities	<u>(117)</u>	<u>(27,780)</u>	<u>(27,897)</u>
<b>Cash flows form investing activities</b>			
Investment income	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,628	1,899	10,527
Cash and cash equivalents, beginning of year	<u>10,902</u>	<u>96,905</u>	<u>107,807</u>
Cash and cash equivalents, end of year	<u>\$ 19,530</u>	<u>\$ 98,804</u>	<u>\$ 118,334</u>
Shown on statement of net position as:			
Unrestricted cash and cash equivalents	\$ 5,961	\$ 32,564	\$ 38,525
Cash with paying agent	1,420	1	1,421
Restricted cash and cash equivalents	-	22,354	22,354
Total cash on statement of net position	<u>\$ 7,381</u>	<u>\$ 54,919</u>	<u>\$ 62,300</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net operating Income	\$ (231,486)	\$ (75,482)	\$ (306,968)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	29,217	104,701	133,918
Change in assets and liabilities:			
Receivables	(1,717)	(1,723)	(3,440)
Prepaid expenses	639	2,660	3,299
Accounts payable	207,782	428	208,210
Accrued payroll expenses	-	-	-
Compensated absences	-	(3)	(3)
Due to/from other funds	-	-	-
Bond issuance cost	-	278	278
Customer Deposits	-	(1,180)	(1,180)
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ 8,745</u>	<u>\$ 29,679</u>	<u>\$ 38,424</u>

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



State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

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  - B. Government-Wide and Fund Financial Statements
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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

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- 11. RETIREE HEALTH CARE ACT CONTRIBUTIONS
- 12. RISK MANAGEMENT
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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

**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.

**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, 2011

**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, 2011

**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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is a special revenue fund. It accounts for the operation and maintenance of the fire department. Contributions are from the state fire allotment.

The *Senior Citizens Fund* is a special revenue fund. It accounts for funds used to provide services to senior citizens. Financing is from state appropriations, federal funds and local sources.

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, 2011

**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, 2011 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, 2011 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, 2011

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

*Inventory of Supplies:* There were no material amounts of inventory at June 30, 2011. 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, 2011

**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, 2011

**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, 2011

**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, 2011

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, 2011.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2011

**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, 2011:

<b>General Fund</b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
206 EMS	\$ 349	
216 Municipal Street		\$ 189
219 Senior Citizens	\$ 6,960	
509 Ambulance	4,560	
510 Cemetery	578	
504 Landfill	5,795	
505 Water Utility	<u>2,357</u>	<u>-</u>
Total General Fund	<u>20,599</u>	<u>189</u>
<b>Special Revenue Funds</b>		
206 EMS Fund		
101 General Fund		349
216 Municipal Street		
101 General Fund	189	
217 Recreation Fund	1,000	
505 Water Utility	22,370	
217 Recreation Fund		
216 Municipal Street		1,000
219 Senior Citizens		
101 General Fund		6,960
509 Ambulance		
101 General Fund		4,560
510 Cemetery		
101 General Fund		<u>578</u>
Total Special Revenue Funds	<u>23,559</u>	<u>13,447</u>
<b>Proprietary Funds</b>		
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>\$44,158</u>	<u>\$44,158</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, 2011

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, 2011.

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

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

According to the Federal Deposit Insurance Corporation (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, 2011 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, 2011

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, 2011, the carrying amount of the Town Of Vaughn's deposits at Wells Fargo totaled \$93,175 and the bank balances were \$95,446. The carrying amount at Everyone's Federal Credit Union totaled \$171,950 and the bank balances were \$233,323. The Town has \$15,397 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, 2011 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 1,251	\$ 3,466	
State shared taxes	22,654		
Customer utility accounts			\$ 30,682
Other		<u>9,027</u>	<u>-</u>
	<u>23,905</u>	<u>12,493</u>	<u>30,682</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>1,500</u>
Total	<u>\$ 23,905</u>	<u>\$ 12,493</u>	<u>\$ 29,182</u>

Except as noted, all amounts are considered collectable at June 30, 2011. 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, 2011

5. **CAPITAL ASSETS**

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

Governmental activities	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets not being depreciated:				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	-	-	-	-
Total	188,265	-	-	188,265
Capital assets being depreciated:				
Land improvements	4,924,228	-	-	4,924,228
Buildings	1,972,100	81,247	-	2,053,347
Machinery and equipment	241,845	-	-	241,845
Vehicles	580,563	-	-	580,563
Total	7,718,736	81,247	-	7,799,983
Less accumulated depreciation for:				
Land improvements	(289,950)	( 93,364)	-	(383,314)
Buildings	(1,033,352)	( 79,967)	-	(1,113,319)
Machinery and equipment	(134,860)	( 28,103)	-	(162,963)
Vehicles	(536,808)	( 17,364)	-	(554,172)
Total	(1,994,970)	(218,798)	-	(2,213,768)
Total capital assets being depreciated, net	5,723,766	(137,551)	-	5,586,215
Total Governmental activities, capital assets, net	<u>\$ 5,912,031</u>	<u>\$ (137,551)</u>	<u>\$ -</u>	<u>\$ 5,774,480</u>



State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

5. **CAPITAL ASSETS (continued)**

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

<b>Business type activities</b>	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
Construction in progress	-	-	-	-
Total	<u>19,203</u>	<u>-</u>	<u>-</u>	<u>19,203</u>
<b>Capital assets being depreciated:</b>				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery and equipment	<u>504,281</u>	<u>-</u>	<u>(150,000)</u>	<u>354,281</u>
Total	4,885,778	-	(150,000)	4,735,778
<b>Less accumulated depreciation for:</b>				
Buildings	(11,558)	( 1,366)	-	(12,924)
Underground lines	(1,237,364)	(86,947)	-	(1,324,311)
Machinery and equipment	<u>(282,920)</u>	<u>(45,606)</u>	<u>150,000</u>	<u>(178,526)</u>
Total	(1,531,842)	(133,919)	150,000	(1,515,761)
Total capital assets being depreciated, net	<u>3,353,936</u>	<u>(133,919)</u>	<u>-</u>	<u>3,220,017</u>
Total Business type activities, capital assets, net	<u>\$ 3,373,139</u>	<u>\$ (133,919)</u>	<u>\$ -</u>	<u>\$ 3,239,220</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2011

**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, 2011:

	<u>Balance</u> <u>06/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2011</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 496,292		\$ 18,292	\$ 478,000	\$ 6,000
Landfill closure costs	38,790	\$ 4,310	-0-	43,100	
Compensated absences	<u>10,607</u>	<u>7,626</u>	<u>7,629</u>	<u>10,604</u>	<u>10,604</u>
Total	<u>\$ 545,689</u>	<u>\$ 11,936</u>	<u>\$ 25,921</u>	<u>\$ 531,704</u>	<u>\$16,604</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>Total</u>
2012	6,000	21,510	\$27,510
2013	6,000	21,240	27,240
2014	7,000	20,970	27,970
2015	7,000	20,660	27,660
2016	7,000	20,340	27,340
2017-2029	<u>445,000</u>	<u>362,700</u>	<u>807,700</u>
Total	<u>\$478,000</u>	<u>\$467,420</u>	<u>\$945,420</u>

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2011

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

The total liabilities for closure and post closure costs of \$43,100 at June 30, 2011 represent the cumulative amount reported to date based upon approximately 21% 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, or changes in technology.

The Town is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Town does not have any restricted cash to fund the current accrued liability.

The State of New Mexico Environment Department has issued an administrative order requiring compliance and assessing a civil penalty in the amount of \$214,100 to the Town of Vaughn for violations of the municipal landfill. The liability has been recorded as a payable in the financial statements.

The Town entered into a joint power agreement with the Estancia Valley Solid Waste Authority for the collection and disposal of waste. The Town is no longer accepting waste into the landfill.

**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, 2011.

	<u>Balance</u> <u>06/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2011</u>	<u>Current</u> <u>Portion</u>
Notes payable	\$ 101,643		\$ 28,466	\$ 73,177	\$14,093
Accrued compensated absences	<u>21,670</u>	<u>36,306</u>	<u>25,662</u>	<u>32,314</u>	<u>10,865</u>
Total	<u>\$ 123,313</u>	<u>\$ 36,306</u>	<u>\$ 54,128</u>	<u>\$ 105,491</u>	<u>\$24,958</u>

**B. Notes Payable**

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 \$73,177 at June 30, 2011.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2011

**7. GOVERNMENTAL LONG-TERM DEBT (continued)**

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

Year Ended <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	Admin <u>Fees</u>	<u>Total</u>
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>\$ 73,177</u>	<u>\$ 3,843</u>	<u>\$ 556</u>	<u>\$ 77,576</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 Portion</u>	<u>Non-current Portion</u>	<u>Total</u>
General Fund	\$ 8,854	\$ 18,536	\$27,390
Seniors Fund	<u>2,011</u>	<u>2,913</u>	<u>4,924</u>
Total	<u>\$10,865</u>	<u>\$21,449</u>	<u>\$32,314</u>

**9. TAXES**

**A. Property Taxes**

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

9. **TAXES (continued)**

Tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law, and for general operating purposes. However, at June 30, 2011, the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2011 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 \$43,100 for the fiscal year ended June 30, 2011.

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, 2011, the Town collected \$550 in business license fees.

C. **Motor Vehicle Registration Fees**

Under the provisions of Chapter 66, Article 6 NMSA 1978 the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, a portion is disbursed to the various incorporated municipalities based upon the total assessed valuation a qualified municipality bears to the total assessed valuation of all the qualified municipalities within the county. Under Section 66-6-23, the various qualified cities in the State of New Mexico share 9.4 percent of the total fees collected (10 percent distribution). In addition, an amount equal to 14.1 percent of the total fees collected are allocated between the various counties, towns, and incorporated municipalities within the county in the same proportion that the receipts from general property taxes, other than taxes for state purposes, receipts from general property taxes received by the county treasurer for the year in which such distribution is to be made, are so distributed in such county between said town and said incorporated municipalities within the county. In the counties wherein are located municipalities incorporated, organized and operating under special accounts, the allocation shall be in the proportion that the receipts from general property taxes in said municipalities bear to the total receipts from general property taxes 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 \$2,306 in motor vehicle registration fees for the year ended June 30, 2011.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

10. **TAXES (continued)**

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.

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, 2011, the Town received distributions of cigarette taxes in the amount of \$210.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

9. **TAXES (continued)**

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
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, 2011, the Town earned \$22,796 in gasoline tax distributions.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

9. **TAXES (continued)**

F. **Municipal Gross Receipts Tax**

Under authority of Chapter 7, Articles 19, 19A and 19D, NMSA 1978, the Town adopted gross receipts taxing through ordinances. Said ordinances provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the State of New Mexico and remitted to the Town after deducting certain administrative costs. During the year ended June 30, 2011, the Town earned taxes in the amount of \$83,836.

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, 2011, the Town earned \$82,859 from the State under the above stated authority.

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

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

***Funding Policy.*** Plan members are required to contribute 7.00% of their gross salary. The Town of Vaughn 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, 2011, 2010 and 2009 were \$32,593, \$31,438 and 25,346, respectively which equals the amount of the required contributions for each fiscal year.



State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

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, 2011:

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:                     | 06/30/2011                     |

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:                     | 11/03/2011                       |

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:                     | 11/03/2011                       |

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:                     | 11/03/2011                       |

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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2011

12. **RISK MANAGEMENT (continued)**

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, 2011, 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>
General Fund	\$102,682
EMS Fund	362
Fire Protection Fund	8,766
Law Enforcement Fund	6,381
Lodgers Tax Fund	1,055
Juvenile Recreation Fund	614
Senior Citizens Fund	5,513
Ambulance Fund	19,504
Capital Outlay Fund	56,247
Debt Service Fund	3,009
Water Fund	69,064

14. **SUBSEQUENT EVENTS REVIEW**

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is April 10, 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, 2011

**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.

**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.

**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.

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

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

**Ambulance** – To account for funds used to develop an emergency medical system within the county. Funding is authorized by NMSA 24-10A-1 and 16-11-6.

**NON-MAJOR CAPITAL PROJECT FUND**

**Capital Project** - Used to account for the proceeds of specific revenue sources that is legally restricted to expenditures for certain purposes.

**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, 2011

	SPECIAL REVENUE FUNDS			
	Corrections Fund	EMS Fund	Law Enforcement Fund	Lodger's Tax Fund
<b>Assets</b>				
Cash and investments	\$ 4,413	\$ -	\$ 26	\$ 44,089
Cash with paying agent	-	-	-	-
Taxes and accounts receivable	-	-	-	3,466
Due from other funds	-	-	-	-
Total assets	<u>\$ 4,413</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 47,555</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 382
Accrued compensated absences	-	-	-	-
Due to other funds	-	349	-	-
Total liabilities	<u>-</u>	<u>349</u>	<u>-</u>	<u>382</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Restricted for:				
Special revenue funds	4,413	(349)	26	47,173
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Assigned for:				
Special revenue funds	-	-	-	-
Unassigned for:				
Special revenue funds	-	-	-	-
Total fund balance	<u>4,413</u>	<u>(349)</u>	<u>26</u>	<u>47,173</u>
Total liabilities and fund balance	<u>\$ 4,413</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 47,555</u>

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

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Cemetery Fund	Ambulance Fund	Capital Outlay Fund	Debt Service Fund	Total Non-major Funds
\$ 42,891	7,133	\$ 7,852	\$ 9,262	613	\$ -	\$ 116,279
-	-	-	-	-	13,977	13,977
2,447	-	-	6,580	-	-	12,493
23,559	-	-	-	-	-	23,559
<u>\$ 68,897</u>	<u>\$ 7,133</u>	<u>\$ 7,852</u>	<u>\$ 15,842</u>	<u>\$ 613</u>	<u>\$ 13,977</u>	<u>\$ 166,308</u>
\$ -	\$ -	\$ -	\$ 411	\$ -	\$ -	\$ 793
-	-	-	-	-	-	-
-	1,000	578	4,560	-	-	6,487
-	1,000	578	4,971	-	-	7,280
-	-	-	-	-	-	-
68,897	6,133	7,274	10,871	-	-	144,438
-	-	-	-	613	-	613
-	-	-	-	-	13,977	13,977
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>68,897</u>	<u>6,133</u>	<u>7,274</u>	<u>10,871</u>	<u>613</u>	<u>13,977</u>	<u>159,028</u>
<u>\$ 68,897</u>	<u>\$ 7,133</u>	<u>\$ 7,852</u>	<u>\$ 15,842</u>	<u>\$ 613</u>	<u>\$ 13,977</u>	<u>\$ 166,308</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, 2011

	SPECIAL REVENUE FUNDS			
	Corrections Fund	EMS Fund	Law Enforcement Fund	Lodger's Tax Fund
<b>Revenues:</b>				
Taxes - other	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	5,000	20,000	54,020
Grant revenue	-	-	-	-
Miscellaneous local sources	2	181	1,605	-
Total revenues	2	5,181	21,605	54,020
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	-	-	26,381	-
Health and welfare	-	5,081	-	-
Culture and recreation	-	-	-	22,237
Public works	-	-	-	-
<b>Non-Current</b>				
Debt service principal	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	5,081	26,381	22,237
Excess (deficiency) of revenues over (under) expenditures	2	100	(4,776)	31,783
<b>Other financing sources (uses):</b>				
Proceeds from loan	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net changes in fund balances	2	100	(4,776)	31,783
Fund balance, beginning of year	4,411	(449)	4,802	15,390
Fund balance, end of year	\$ 4,413	\$ (349)	\$ 26	\$ 47,173

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

SPECIAL REVENUE FUNDS

<u>Street Fund</u>	<u>Recreation Fund</u>	<u>Cemetery Fund</u>	<u>Ambulance Fund</u>	<u>Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Funds</u>
\$ -	\$ 94	\$ -	54,135	\$ -	\$ 22,788	\$ 77,017
23,349	2,668	-	-	-	-	105,037
-	-	-	-	56,860	-	56,860
-	-	562	10,678	-	62	13,090
<u>23,349</u>	<u>2,762</u>	<u>562</u>	<u>64,813</u>	<u>56,860</u>	<u>22,850</u>	<u>\$ 252,004</u>
-	-	-	-	-	-	26,381
-	-	-	63,208	-	-	68,289
-	614	10	-	-	-	22,861
42,754	-	-	-	-	-	42,754
-	-	-	-	-	28,466	28,466
-	-	-	-	-	2,043	2,043
-	-	-	-	56,247	-	56,247
<u>42,754</u>	<u>614</u>	<u>10</u>	<u>63,208</u>	<u>56,247</u>	<u>30,509</u>	<u>247,041</u>
(19,405)	2,148	552	1,605	613	(7,659)	4,963
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(19,405)</u>	<u>2,148</u>	<u>552</u>	<u>1,605</u>	<u>613</u>	<u>(7,659)</u>	<u>4,963</u>
88,302	3,985	6,722	9,266	-	21,636	154,065
<u>\$ 68,897</u>	<u>\$ 6,133</u>	<u>\$ 7,274</u>	<u>\$ 10,871</u>	<u>\$ 613</u>	<u>\$ 13,977</u>	<u>\$ 159,028</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	62	62	2	(60)
Total revenue	<u>62</u>	<u>62</u>	<u>2</u>	<u>(60)</u>
<b>Expenditures:</b>				
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>2</u>	<u>60</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances			<u>2</u>	
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,411</u>	
Cash balances - end of year			<u>\$ 4,413</u>	
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 2</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Miscellaneous local sources	56	56	181	125
Total revenue	<u>5,056</u>	<u>5,056</u>	<u>5,181</u>	<u>125</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	5,000	5,000	5,362	(362)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>5,362</u>	<u>(362)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56</u>	<u>56</u>	<u>(181)</u>	<u>(237)</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>56</u>	<u>56</u>	<u>(181)</u>	<u>-</u>
Cash balances - beginning of year	-	-	181	
Cash balances - end of year	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (181)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>281</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 100</u>	

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

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous local sources	33	-	1,605	1,605
<b>Total revenue</b>	<u>20,033</u>	<u>20,000</u>	<u>21,605</u>	<u>1,605</u>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
<b>Current:</b>				
Operating expenses	20,000	20,000	26,381	(6,381)
<b>Non-current</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>26,381</u>	<u>(6,381)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>33</u>	<u>-</u>	<u>(4,776)</u>	<u>(4,776)</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>33</u>	<u>-</u>	<u>(4,776)</u>	<u>-</u>
Cash balances - beginning of year			4,802	
Cash balances - end of year	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,776)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ (4,776)</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) - Lodgers Tax Fund - 214  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 50,584	\$ 50,584	\$ 54,362	\$ 3,778
Miscellaneous local sources	-	-	-	-
Total revenue	<u>50,584</u>	<u>50,584</u>	<u>54,362</u>	<u>3,778</u>
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	21,000	21,000	22,055	(1,055)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>21,000</u>	<u>21,000</u>	<u>22,055</u>	<u>(1,055)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,584</u>	<u>29,584</u>	<u>32,307</u>	<u>2,723</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>29,584</u>	<u>29,584</u>	<u>32,307</u>	<u>2,723</u>
Cash balances - beginning of year			<u>11,782</u>	
Cash balances - end of year	<u>\$ 29,584</u>	<u>\$ 29,584</u>	<u>\$ 44,089</u>	<u>\$ 2,723</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 32,307	
Adjustment to revenues for accruals and other deferrals			(342)	
Adjustment to expenditures for payables, prepaids and other accruals			(182)	
Net change in fund balance (GAAP Basis)			<u>\$ 31,783</u>	

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

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 22,000	\$ 22,000	\$ 22,820	\$ 820
CDBG Grant	-	-	-	-
Miscellaneous local sources	-	-	-	-
Total revenue	<u>22,000</u>	<u>22,000</u>	<u>22,820</u>	<u>820</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	48,495	48,495	42,754	5,741
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>48,495</u>	<u>48,495</u>	<u>42,754</u>	<u>5,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,495)</u>	<u>(26,495)</u>	<u>(19,934)</u>	<u>6,561</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(19,934)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>62,825</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,891</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (19,934)	
Adjustment to revenues for accruals and other deferrals			529	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (19,405)</u>	

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

STATEMENT 7

State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non - GAAP Basis) - Recreation Fund - 217  
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ 94	\$ 94
Miscellaneous local sources	4	4	2,710	2,706
Total revenue	4	4	2,804	2,800
<b>Expenditures:</b>				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	-	-	614	(614)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	-	-	614	(614)
Excess (deficiency) of revenues over (under) expenditures	4	4	2,190	2,186
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	4	4	2,190	-
Cash balances - beginning of year			4,943	
Cash balances - end of year	\$ 4	\$ 4	\$ 7,133	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,190	
Adjustment to revenues for accruals and other deferrals			(42)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 2,148	

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



State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non - GAAP Basis) - Cemetery Fund - 510  
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Miscellaneous local sources	\$ 475	\$ 475	1,140	\$ 665
Total revenue	<u>475</u>	<u>475</u>	<u>1,140</u>	<u>665</u>
<b>Expenditures:</b>				
Health and welfare:				
Current:				
Operating expenses	100	100	10	90
Total expenditures	<u>100</u>	<u>100</u>	<u>10</u>	<u>90</u>
Excess (deficiency) of revenues over (under) expenditures	<u>375</u>	<u>375</u>	<u>1,130</u>	<u>755</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>375</u>	<u>375</u>	<u>1,130</u>	<u>-</u>
Cash balances - beginning of year			<u>6,722</u>	
Cash balances - end of year	<u>\$ 375</u>	<u>\$ 375</u>	<u>\$ 7,852</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,130	
Adjustment to revenues for accruals and other deferrals			(578)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 552</u>	

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

State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non - GAAP Basis) - Ambulance Fund - 509  
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 54,758	\$ 54,758
Charges for Services	5,975	5,975	9,159	3,184
Miscellaneous local sources	44,400	44,400	1,519	(42,881)
Total revenue	50,375	50,375	65,436	15,061
<b>Expenditures:</b>				
Public Safety:				
Current:				
Personnel services	42,313	42,313	49,202	(6,889)
Operating expenses	-	-	12,615	(12,615)
Non-current:				
Capital outlay	-	-	-	-
Total expenditures	42,313	42,313	61,817	(19,504)
Excess (deficiency) of revenues over (under) expenditures	8,062	8,062	3,619	(4,443)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	8,062	8,062	3,619	-
Cash balances - beginning of year			5,643	
Cash balances - end of year	\$ 8,062	\$ 8,062	\$ 9,262	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,619	
Adjustment to revenues for accruals and other deferrals			(623)	
Adjustment to expenditures for payables, prepaids and other accruals			(1,391)	
Net change in fund balance (GAAP Basis)			\$ 1,605	

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) - Capital Projects Fund - 3000  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Grant Revenue	\$ -	\$ -	56,860	\$ 56,860
Total revenue	<u>-</u>	<u>-</u>	<u>56,860</u>	<u>56,860</u>
<b>Expenditures:</b>				
Non-current:				
Capital assets:				
Capital outlay	-	-	56,247	(56,247)
Total expenditures	<u>-</u>	<u>-</u>	<u>56,247</u>	<u>(56,247)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>613</u>	<u>613</u>
<b>Other financing sources (uses):</b>				
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>613</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 613	
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>\$ 613</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 27,600	\$ 27,600	\$ 22,850	\$ (4,750)
Total revenue	<u>27,600</u>	<u>27,600</u>	<u>22,850</u>	<u>(4,750)</u>
Expenditures:				
Non-current:				
Debt service:				
Principal payment	27,500	27,500	28,466	(966)
Interest payment	-	-	1,788	(1,788)
Agent fees	-	-	255	(255)
Total expenditures	<u>27,500</u>	<u>27,500</u>	<u>30,509</u>	<u>(3,009)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100</u>	<u>100</u>	<u>(7,659)</u>	<u>(7,759)</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>(7,659)</u>	<u>-</u>
Cash balances - beginning of year			<u>21,636</u>	
Cash balances - end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 13,977</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (7,659)	
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>\$ (7,659)</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Sales and services	\$ 120,984	\$ 120,984	\$ 71,386	\$ (49,598)
Other local sources	-	-	-	-
Total revenues	<u>120,984</u>	<u>120,984</u>	<u>71,386</u>	<u>(49,598)</u>
Expenses				
Current				
Operating expenses	85,000	85,000	62,641	22,359
Non-current				
Debt service	-	-	12,292	(12,292)
Interest and fiscal charges	-	-	117	(117)
Capital outlay	-	-	-	-
Total expenses	<u>85,000</u>	<u>85,000</u>	<u>75,050</u>	<u>9,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,984</u>	<u>35,984</u>	<u>(3,664)</u>	<u>(39,648)</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>35,984</u>	<u>35,984</u>	<u>(3,664)</u>	<u>(39,648)</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>11,045</u>	
Cash balances - end of year	<u>\$ 35,984</u>	<u>\$ 35,984</u>	<u>\$ 7,381</u>	<u>\$ (39,648)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (3,664)	
Adjustment to revenues for accruals and other deferrals			1,717	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(229,656)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (231,603)</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Sales and services	\$ 248,135	\$ 248,135	\$ 288,966	\$ 40,831
Other	-	-	72	72
Total revenues	<u>248,135</u>	<u>248,135</u>	<u>289,038</u>	<u>40,903</u>
<b>Expenses</b>				
Current				
Personnel services	-	-	66,592	(66,592)
Operating expenses	218,075	218,075	192,767	25,308
Fuel and power utilities	-	-	-	-
Non-current				
Debt service	-	-	6,000	(6,000)
Interest and fiscal charges	-	-	21,780	(21,780)
Capital outlay	-	-	-	-
Total expenses	<u>218,075</u>	<u>218,075</u>	<u>287,139</u>	<u>(69,064)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,060</u>	<u>30,060</u>	<u>1,899</u>	<u>109,967</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>30,060</u>	<u>30,060</u>	<u>1,899</u>	<u>109,967</u>
Cash balances - beginning of year	-	-	53,020	
Cash balances - end of year	<u>\$ 30,060</u>	<u>\$ 30,060</u>	<u>\$ 54,919</u>	<u>\$ 109,967</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,899	
Adjustment to revenues for accruals and other deferrals			1,723	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(100,608)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (96,986)</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, 2011

Bank Name	Account Name	Account Type	Bank Balance	Outstanding Checks	Deposits in Transit	Book Balance
<b>Wells Fargo Bank</b>						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,413	\$ -		\$ 4,413
	Juvenile Recreation Fund	1	395	-		395
	Municipal Rd 10% Plate Fund	1	42,891	-		42,891
	General Fund	1	26,657	2,271	-	24,386
	Total		74,356	2,271	-	72,085
Business-type Activities						
	Water & Sewer Improvement	1	1	-		1
	Water & Sewer Improvement	1	13,789	-		13,789
	Water Department	3	7,300	-		7,300
	Total		21,090	-	-	21,090
Total Wells Fargo Bank			<u>\$ 95,446</u>	<u>\$ 2,271</u>	<u>\$ -</u>	<u>\$ 93,175</u>
<b>Everyone's Federal Credit Union</b>						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commerical Dra	1	6,713	-	-	6,713
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Accour	1	448	473	-	(25)
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	59,419	54,410	-	5,009
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Acco	1	2,060	2,059	-	1
	Senior Citizens Fund Share Account	1	25	-	-	25
	Senior Citizens Commercial Draft Account	1	33,350	-	-	33,350
	Ambulance Service Fund Share Account	1	25	-	-	25
	Ambulance Service Commercial Draft Acci	1	13,245	4,008	-	9,237
	Operation & Mnintenance Fund Share Acc	1	25	-	-	25
	Operation & Maintenance Commercial Dr.	1	19,173	423	-	18,750
	Landfill Operations Share Account	1	25	-	-	25
	Landfill Operations Commercial Draft Acci	1	5,936	-	-	5,936
	Cemetery Share Account	1	25	-	-	25
	Cemetery Commercial Draft Account	1	7,827	-	-	7,827
	Meter Fund Share Account	1	25	-	-	25
	Meter Fund Commerical Draft	1	15,029	-	-	15,029
	Lodgers Tax Fund Share Account	1	25	-	-	25
	Lodgers Tax Fund Commercial Draft Acco	1	44,064	-	-	44,064
	CDBG Account	1	25,784	-	-	25,784
Total Everyone's Federal Credit Union			<u>233,323</u>	<u>61,373</u>	<u>-</u>	<u>171,950</u>
<b>Bank of Albuquerque</b>						
	Trust Service/Debt Service	4	\$ 13,891	\$ -	\$ -	\$ 13,891
Total Bank of Albuquerque			<u>\$ 13,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,891</u>
<b>New Mexico Finance Authority</b>						
	State Treasurer D/S	4	\$ 1,420	\$ -	\$ -	\$ 1,420
	State Treasurer D/S	4	62	-	-	62
	State Treasurer D/S	4	24	-	-	24
Total New Mexico Finance Authority			<u>\$ 1,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506</u>
Total all accounts			<u>\$ 344,166</u>	<u>\$ 63,644</u>	<u>\$ -</u>	<u>\$ 280,522</u>

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

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

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State of New Mexico  
**TOWN OF VAUGHN**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
For the Year Ended June 30, 2011

I	Participants - Responsible for operations - Description - Beginning and ending dates - Total estimated cost - Town of Vaughn contributions - Audit responsibility - Fiscal agent - Agency reporting revenues and expenditures -	Town of Vaughn (Vaughn) and Guadalupe County (County) Vaughn and County County is permitted disposal of solid waste at the Town's landfill. June 22, 2004 until terminated. Town will be compensated \$23.00 per ton of solid waste dumped. Cubic yards at landfill. Town of Vaughn and County Town of Vaughn town of Vaughn and County
II	Participants - Responsible for operations - Description - Beginning and ending dates - Total estimated cost - Town of Vaughn contributions - Audit responsibility - Fiscal agent - Agency reporting revenues and expenditures -	Town of Vaughn (Vaughn) and Estancia Valley Solid Waste Authority (EVSWA) Town of Vaughn Solid waste management July 2010 until terminated Unknown \$150,000 Caterpillar Compactor and current member rate tipping fees Town of Vaughn Town of Vaughn Town of Vaughn and EVSWA
III	Participants - Responsible for operations - Description - Beginning and ending dates - Total estimated cost - Town of Vaughn contributions - Audit responsibility - Fiscal agent - Agency reporting revenues and expenditures -	Town of Vaughn (Vaughn) and Vaughn Municipal Schools Town of Vaughn Assist the School District with road equipment and operators and improvement projects July 13, 2010 through June 30, 2011 Unknown Road equipment and operators Town of Vaughn Town of Vaughn Town of Vaughn
IV	Participants - Responsible for operations - Description - Beginning and ending dates - Total estimated cost - Town of Vaughn contributions - Audit responsibility - Fiscal agent - Agency reporting revenues and expenditures -	Town of Vaughn (Vaughn) and North Central NM Economic Development District Town of Vaughn Administer and provide meals to the elderly July 1, 2010 through June 30, 2011 Unknown Personnel and equipment Town of Vaughn Town of Vaughn Town of Vaughn

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

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## **COMPLIANCE SECTION**

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

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

Mr. Hector H. Balderas, State Auditor  
Mr. Ramon Garcia, 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, 2011, and have issued my report thereon dated April 10, 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 are listed as findings 2007-01, 2007-02, 2008-10, 2009-01 and 2011-01.



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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 2010-01, 2010-02, 2010-03, 2011-02, 2011-03, and 2011-04 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, 2007-01, 2007-02, 2010-04, 2011-02, 2011-03, and 2011-04.

#### 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  
April 10, 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, 2011

**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, 2011

**FINANCIAL STATEMENT FINDINGS**

<b><u>Prior Year Findings</u></b>	<b><u>Status</u></b>
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	Released
2007-01 Capital Assets	Repeated
2007-02 Trial Balance	Repeated
2008-10 Cash Controls and Monitoring	Repeated, Revised
2009-01 Cash Receipts Journals Missing	Repeated
2010-01 Missing Cancelled Checks	Repeated
2010-02 Missing 941 Reports	Repeated, Revised
2010-03 Accounts Receivable and Accounts Payable	Repeated
2010-04 Insufficient Controls over PERA Withholding	Repeated

**Current Year Findings**

- 2011-01 Bank Reconciliations
- 2011-02 Inappropriate Expenditures in the Fire Fund
- 2011-03 Transactions Incorrectly Recorded
- 2011-04 DFA Reports Do Not Reconcile to the General Ledger

**2002-12 Timeliness of Audit Report – Non-Compliance**

**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, 2011, the report is past due.

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

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

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

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



State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF FINDINGS AND RESPONSES (continued)  
 For the Year Ended June 30, 2011

**2002-25 Expenditures In Excess of Budgets – Non-Compliance**

**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>
General Fund	101	\$468,361	\$571,043	\$102,682
EMS Fund	201	5,000	5,362	362
Fire Fund	209	63,945	72,711	8,766
Law Enforcement Fund	211	20,000	26,381	6,381
Lodgers Tax Fund	214	21,000	22,055	1,055
Juvenile Recreation Fund	217	-0-	614	614
Senior Citizens Fund	219	68,550	74,063	5,513
Ambulance Fund	509	43,313	61,817	19,504
Capital Project Fund	300	-0-	56,247	56,247
Debt Service Fund	402	27,500	30,509	3,009
Water Fund	505	218,075	287,139	69,064

**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, 2011

**2003-02 Funds Omitted From DFA Quarterly Report – Non-Compliance**

**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 and Capital Project Fund was not 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 – Non-Compliance**

**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, 2011 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, 2011

**2007-01 Capital Assets – Material Weakness**

**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.

**2007-02 Trial Balance – Material Weakness**

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2011

**2008-10 Cash Controls and Monitoring – Material Weakness**

**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:** Various bank accounts are not recorded on the Town's general ledger.

**Cause:** The Town did not have a procedure for tracking bank accounts to ensure their inclusion in the general ledger.

**Effect:** The amounts reported for cash and investments could be misstated.

**Recommendation:** I recommend the Town review all existing bank accounts and ensure their inclusion in the general ledger.

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

**2009-01 Cash Receipts Journals Missing – Material Weakness**

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

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

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

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

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

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

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2011

**2010-01 Missing Cancelled Checks – Significant Deficiency**

**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.

**2010-02 Missing 941 Tax Reports – Significant Deficiency**

**Criteria:** the United States Department of the Treasury, Internal Revenue Service (IRS) requires timely filing of payroll deposits and filing of Form 941 reports. 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. The Town has accrued a \$7,779 tax liability for the fiscal year end June 30, 2011.

**Condition:** The Town has not been submitting tax deposits or filing the quarterly 941 tax reports.

**Cause:** The Town was unaware that they needed to electronically submit the tax deposits and file quarterly reports.

**Effect:** The Town accrued tax penalties for the late tax deposits and may incur additional penalties for not filing the Form 941 report.

**Recommendation:** I recommend the Town provide additional training for personnel responsible for processing payroll and implement procedures in order to verify the accuracy of payroll records and reports.

**Management's response:** The Town is currently providing additional training for personnel and has an independent accountant helping improve the accounting and payroll records.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2011

**2010-03 Accounts Receivable and Accounts Payable – Significant Deficiency**

**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 sub ledger is essential to the Town's operational and management decisions. The Town's inability to prepare a sub ledger 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.

**2010-04 Insufficient Controls over PERA Withholding – Non-Compliance**

**Criteria:** The Town 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**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2011

**2011-01 Cash Reconciliations – Material Weakness**

**Criteria:** Monthly bank reconciliations should be performed for all cash and investment accounts pursuant to Section 6-5-2.1.J NMSA 1978

**Condition:** The Town is not completing accurate monthly bank reconciliations. The Town was unable to provide correct bank reconciliations for their cash and investment accounts.

**Cause:** Town personnel are not reconciling all bank accounts on a monthly basis.

**Effect:** The trial balance does not reflect correct balances.

**Recommendation:** The Town should perform bank reconciliations on all bank accounts on a monthly basis.

**Management's response:** The Town will implement additional procedures to ensure all bank accounts are reconciled on a monthly basis.

**2011-02 Unapproved Expenditures in the Fire Protection Fund – Significant Deficiency and Non-Compliance**

**Criteria:** The Town should only make expenditures from the fire fund that are approved expenditures for that fund pursuant to Section 6-5-2 NMSA 1978,

**Condition:** The Town spent \$9,407 in expenditures from the Fire Fund that were not approved.

**Cause:** Expenditure procurement and approval procedures were not followed.

**Effect:** The Town is at risk of misstatements to the financial statements.

**Recommendation:** Maintain and monitor expenditures and budgets for all funds to ensure all expenditures are appropriate for each fund.

**Management's response:** The Town will draft policies and procedures and implement internal controls over expenditures in order to meet the fund objectives and requirements.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2011

**2011-03 Transactions Incorrectly Recorded – Significant Deficiency and Non-Compliance**

**Criteria:** Sound internal controls are necessary to ensure transactions are posted to the proper accounts and funds in order to provide accurate financial information pursuant to Section 6-5-2.C NMSA 1978.

**Condition:** An amount of \$578 was incorrectly reimbursed to Cemetery Fund. An amount of \$5,000 was incorrectly deposited into the EMS Fund.

**Cause:** Errors are being made in postings to the general ledger and various bank accounts.

**Effect:** The general ledger does not correctly present the Town's financial information.

**Recommendation:** The Town should implement and enforce policies and procedures to ensure that disbursements are correctly recorded in the proper fund and bank account in order to meet the fund objectives and requirements.

**Management's response:** The Town will implement procedures to ensure disbursements are recorded in the proper accounts.

**2011-04 DFA Reports do not reconcile to the General Ledger – Significant Deficiency and Non-Compliance**

**Criteria:** State Auditor Rule 2.2.2.8 O(2) and Section 12-6-5 NMSA 1978 require good accounting practices to be followed and adequate accounting records to be maintained.

**Condition:** The Department of Finance and Administration Report for the year end does not match the QuickBooks accounting records.

**Cause:** Failure or lack of internal controls over accounting records.

**Effect:** Inadequate maintenance of the accounting records can cause alterations to the accounting data which can lead to financial information becoming materially inaccurate.

**Recommendation:** I recommend the Town implement procedures to close prior period accounting records so that the accounting data cannot be adjusted or altered.

**Management's response:** Internal control procedures will be developed and implemented so that the accounting records are maintained and adequately safeguarded in the future.



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State of New Mexico  
**TOWN OF VAUGHN**  
EXIT CONFERENCE  
For the Year Ended June 30, 2011

**EXIT CONFERENCE**

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on April 10, 2014. Those attending were Roman Garcia, Mayor, Rudy Martinez, Council Member, 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.