

STATE OF NEW MEXICO

**TOWN OF VAUGHN**

Independent Auditors' Report and

Annual Financial Statements

June 30, 2012

State of New Mexico  
**TOWN OF VAUGHN**  
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June 30, 2012

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**TOWN OF VAUGHN**  
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State of New Mexico  
**TOWN OF VAUGHN**  
OFFICIAL ROSTER  
June 30, 2012

**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 May 29, 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  
May 29, 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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 205,892	\$ 32,394	\$ 238,286
Cash with paying agent	13,977	1,421	15,398
Receivables, net	67,982	45,339	113,321
Interfund balances	71,739	-	71,739
Bond issuance costs	-	9,169	9,169
Restricted assets:			
Meter deposits	-	23,619	23,619
Capital assets:			
Land and construction work in progress	188,265	19,203	207,468
Other capital assets	8,128,701	4,785,746	12,914,447
	<u>8,316,966</u>	<u>4,804,949</u>	<u>13,121,915</u>
Accumulated depreciation	(2,435,278)	(1,650,096)	(4,085,374)
Net capital assets	<u>5,881,688</u>	<u>3,154,853</u>	<u>9,036,541</u>
<b>Total assets</b>	<u>\$ 6,241,278</u>	<u>\$ 3,266,795</u>	<u>\$ 9,508,073</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 71,687	\$ 245,558	\$ 317,245
Compensated absences - current	4,470	10,284	14,754
Deposits held in trust for others	-	16,294	16,294
Due to other funds	24,765	46,974	71,739
Long-term liabilities:			
Due within one year	21,669	6,000	27,669
NMFA notes payable	74,006	466,000	540,006
Landfill closure costs	-	47,410	47,410
Compensated absences	13,584	-	13,584
<b>Total liabilities</b>	<u>\$ 210,181</u>	<u>\$ 838,520</u>	<u>\$ 1,048,701</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 5,786,013	\$ 2,686,000	\$ 8,472,013
Restricted for:			
Special revenue	205,320	-	205,320
Capital outlay	-	-	-
Debt service	13,977	-	13,977
Unrestricted for:			
General	<u>25,787</u>	<u>(257,725)</u>	<u>(231,938)</u>
<b>Total net position</b>	<u>6,031,097</u>	<u>2,428,275</u>	<u>8,459,372</u>
	<u>\$ 6,241,278</u>	<u>\$ 3,266,795</u>	<u>\$ 9,508,073</u>

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

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State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Activities  
 For the Year Ended June 30, 2012

Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
					Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Government activities:							
General government	\$ 624,585	\$ 211,304	\$ 68,456	\$ 274,461	\$ (70,364)	\$ -	\$ (70,364)
Public safety	192,128	22,933	84,733	-	(84,462)	-	(84,462)
Highways and streets	53,174	21,868	30,511	-	(795)	-	(795)
Health and welfare	76,129	9,807	21,000	-	(45,322)	-	(45,322)
Culture and recreation	91,232	16,051	62,335	-	(12,846)	-	(12,846)
Interest on long-term obligation	1,420	-	-	-	(1,420)	-	(1,420)
Total governmental activities	<u>\$ 1,038,668</u>	<u>\$ 281,963</u>	<u>\$ 267,035</u>	<u>\$ 274,461</u>	<u>\$ (215,209)</u>	<u>\$ -</u>	<u>\$ (215,209)</u>
Business-type Activities:							
Solid Waste	\$ 101,006	\$ 121,713	\$ -	\$ -	\$ -	\$ 20,707	\$ 20,707
Water and Sewer	399,654	282,814	-	-	-	(116,840)	(116,840)
Total business-type activities	<u>\$ 500,660</u>	<u>\$ 404,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,133)</u>	<u>\$ (96,133)</u>
Total Primary Government	<u>\$ 1,539,328</u>	<u>\$ 686,490</u>	<u>\$ 267,035</u>	<u>\$ 274,461</u>	<u>\$ (215,209)</u>	<u>\$ (96,133)</u>	<u>\$ (311,342)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					33,502	-	33,502
Gross receipts taxes, levied for general purposes					262,998	-	262,998
Other taxes					6,640	-	6,640
Interest and investment earnings					86	-	86
Total general revenues					<u>303,226</u>	<u>-</u>	<u>303,226</u>
Transfer in (out)					<u>-</u>	<u>-</u>	<u>-</u>
Change in net position					88,017	(96,133)	(8,116)
Net position - beginning					<u>5,943,080</u>	<u>2,524,408</u>	<u>8,467,488</u>
Net position - ending					<u>\$ 6,031,097</u>	<u>\$ 2,428,275</u>	<u>\$ 8,459,372</u>

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, 2012

	<b>General Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental</b>
<b>Assets</b>				
Cash and investments	\$ 44,624	\$ -	\$ 161,268	\$ 205,892
Cash with paying agent	-	-	13,977	13,977
Tax and accounts receivable	12,188	-	19,719	31,907
Due from other funds	23,330	-	48,409	71,739
Total assets	\$ 80,142	\$ -	\$ 243,373	\$ 323,515
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,209	\$ -	\$ 9,540	\$ 14,749
Accrued salaries & benefits	56,938	-	-	56,938
Accrued compensated absences	3,381	-	1,089	4,470
Due to other funds	11,318	-	13,447	24,765
Total liabilities	76,846	-	24,076	100,922
<b>Fund balance:</b>				
<b>Restricted for:</b>				
General fund	-	-	-	-
Special revenue funds	-	-	205,320	205,320
Capital projects fund	-	-	-	-
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	3,296	-	-	3,296
Total fund balance	3,296	-	219,297	222,593
Total liabilities and fund balance	\$ 80,142	\$ -	\$ 243,373	\$ 323,515

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, 2012

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

Total Fund balances - Governmental Funds		\$ 222,593
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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.		36,075
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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:	\$ 8,316,966		
Accumulated depreciation is	<u>(2,435,278)</u>	5,881,688	

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	(95,675)		
Accrued compensated absences - non current	<u>(13,584)</u>	<u>(109,259)</u>	

Total net position-governmental activities		<u>\$ 6,031,097</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, 2012

	<b>General Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Taxes	\$ 177,573	\$ -	\$ 63,294	\$ 240,867
Intergovernmental - State	68,456	3,518	282,188	354,162
Licenses and permits	603	-	-	603
Charges for services	-	-	-	-
Fines and forfeits	31,755	-	-	31,755
Interest on Investments	-	-	-	-
Miscellaneous	178,946	6,368	39,989	225,303
Federal revenue	-	249,123	-	249,123
Total revenue	<u>457,333</u>	<u>259,009</u>	<u>385,471</u>	<u>1,101,813</u>
<b>Expenditures:</b>				
<b>Current</b>				
General government	402,010	-	-	402,010
Public safety	93,238	-	98,890	192,128
Highways and streets	-	-	-	-
Health and welfare	-	-	76,129	76,129
Culture and recreation	8,088	-	83,144	91,232
Public works	-	-	53,174	53,174
Other - miscellaneous	8,930	-	-	8,930
<b>Noncurrent</b>				
Debt service-principal	-	-	14,093	14,093
Debt service-Interest and fiscal charges	-	-	1,420	1,420
Capital outlay	43,070	259,622	26,026	328,718
Total expenditures	<u>555,336</u>	<u>259,622</u>	<u>352,876</u>	<u>1,167,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,003)</u>	<u>(613)</u>	<u>32,595</u>	<u>(66,021)</u>
<b>Other financing sources (uses):</b>				
Proceeds from loan	36,591	-	-	36,591
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>36,591</u>	<u>-</u>	<u>-</u>	<u>36,591</u>
Net change in fund balances	(61,412)	(613)	32,595	(29,430)
Fund balances - beginning of year	<u>64,708</u>	<u>613</u>	<u>186,702</u>	<u>252,023</u>
Fund balances - end of year	<u>\$ 3,296</u>	<u>\$ -</u>	<u>\$ 219,297</u>	<u>\$ 222,593</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, 2012

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

Total net change in fund balances - governmental funds		\$ (29,430)
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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	(221,510)	
Capital outlays	<u>328,718</u>	107,208

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	24,872	
Decrease in compensated absences payable	<u>7,865</u>	32,737

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	14,093	
Loan proceeds	<u>(36,591)</u>	<u>(22,498)</u>

Total changes in net position-governmental activities		<u>\$ 88,017</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 132,111	\$ 132,111	\$ 177,573	\$ 45,462
Intergovernmental - State	136,288	136,288	68,456	(67,832)
License and fees	730	730	603	(127)
Charges for Services	-	-	-	-
Fines and forfeits	4,508	4,508	31,755	27,247
Interest on investments	-	-	-	-
Miscellaneous	133,942	133,942	176,729	42,787
Total Revenues	<u>407,579</u>	<u>407,579</u>	<u>455,116</u>	<u>47,537</u>
<b>Expenditures:</b>				
Current:				
General government	147,502	147,502	343,314	(195,812)
Public safety	143,767	143,767	93,238	50,529
Highways and streets	39,152	39,152	-	39,152
Culture and recreation	5,000	5,000	8,088	(3,088)
Other - Miscellaneous	4,149	4,149	8,930	(4,781)
Non-current				
Capital outlay	-	-	43,070	(43,070)
Debt service principle	-	-	-	-
Debt service interest	-	-	-	-
Total expenditures	<u>339,570</u>	<u>339,570</u>	<u>496,640</u>	<u>(157,070)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,009</u>	<u>68,009</u>	<u>(41,524)</u>	<u>204,607</u>
<b>Other financing sources (uses):</b>				
Loan proceeds	-	-	36,591	(36,591)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>36,591</u>	<u>(36,591)</u>
Net change in fund balances	<u>68,009</u>	<u>68,009</u>	<u>(4,933)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>49,557</u>	<u>-</u>
Cash balances - end of year	<u>\$ 68,009</u>	<u>\$ 68,009</u>	<u>\$ 44,624</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,933)	
Adjustment to revenues for accruals and other deferrals			2,217	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(58,696)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (61,412)</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 and Expenditures  
Budget and Actual (Non - GAAP Basis) - Airport Fund - 409  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Grant Revenue	\$ 218,333	\$ 218,333	\$ 259,009	\$ 40,676
Total revenue	218,333	218,333	259,009	40,676
Expenditures:				
Non-current:				
Capital assets:				
Capital outlay	167,737	167,737	259,622	(91,885)
Total expenditures	167,737	167,737	259,622	(91,885)
Excess (deficiency) of revenues over (under) expenditures	50,596	50,596	(613)	(51,209)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	50,596	50,596	(613)	-
Cash balances - beginning of year			-	
Cash balances - end of year	\$ 50,596	\$ 50,596	\$ (613)	\$ -
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)			\$ (613)	

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



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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Net Position - Proprietary Funds  
As of June 30, 2012

	Solid Waste	Water and Sewer	Total
<b>Assets</b>			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 10,405	\$ 21,989	\$ 32,394
Cash with paying agent	1,420	1	1,421
Customer accounts receivable, net of allowance for doubtful accounts	7,163	38,176	45,339
Deferred bond issuance costs	-	9,169	9,169
Total current unrestricted assets	<u>18,988</u>	<u>69,335</u>	<u>88,323</u>
Current assets, restricted:			
Cash, cash equivalents and investments			
Meter deposits	-	23,619	23,619
Total restricted assets	<u>-</u>	<u>23,619</u>	<u>23,619</u>
Total current assets	<u>18,988</u>	<u>92,954</u>	<u>111,942</u>
Capital assets:			
Land and construction work in progress	3,500	15,703	19,203
Other capital assets	240,370	4,545,376	4,785,746
Less: accumulated depreciation	<u>(114,308)</u>	<u>(1,535,788)</u>	<u>(1,650,096)</u>
Net capital assets	<u>129,562</u>	<u>3,025,291</u>	<u>3,154,853</u>
Total assets	<u>\$ 148,550</u>	<u>\$ 3,118,245</u>	<u>\$ 3,266,795</u>
<b>Liabilities and Equity</b>			
Current liabilities, payable from unrestricted assets:			
Accounts Payables	216,823	9,265	226,088
Accrued interest	-	19,470	19,470
Current portion of long-term debt	-	6,000	6,000
Compensated absences	1,131	9,153	10,284
Due to other funds	<u>5,795</u>	<u>41,179</u>	<u>46,974</u>
Total current liabilities payable from unrestricted assets	<u>223,749</u>	<u>85,067</u>	<u>308,816</u>
Current liabilities, payable from restricted assets:			
Customer deposits	-	16,294	16,294
Total liabilities payable from restricted assets	<u>-</u>	<u>16,294</u>	<u>16,294</u>
Total current liabilities	<u>223,749</u>	<u>101,361</u>	<u>325,110</u>
Long-term liabilities			
NMFA note payable	-	466,000	466,000
Landfill closure costs	<u>47,410</u>	<u>-</u>	<u>47,410</u>
Total long-term liabilities	<u>47,410</u>	<u>466,000</u>	<u>513,410</u>
Total liabilities	<u>\$ 271,159</u>	<u>\$ 567,361</u>	<u>\$ 838,520</u>
Fund equity:			
Net investment in capital assets	\$ 129,978	\$ 2,556,022	\$ 2,686,000
Unrestricted net assets	<u>(252,587)</u>	<u>(5,138)</u>	<u>(257,725)</u>
Total net position	<u>\$ (122,609)</u>	<u>\$ 2,550,884</u>	<u>\$ 2,428,275</u>

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

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2012

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	\$ 71,745	\$ 279,909	\$ 351,654
Other	-	174	174
Total operating revenue	<u>71,745</u>	<u>280,083</u>	<u>351,828</u>
Operating expenses:			
Personnel services	16,884	79,746	96,630
Operating expenses	45,001	129,379	174,380
Fuel and power/utilities	9,487	64,566	74,053
Depreciation	29,634	104,701	134,335
Other	-	-	-
Total operating expenses	<u>101,006</u>	<u>378,392</u>	<u>479,398</u>
Operating income (loss)	<u>(29,261)</u>	<u>(98,309)</u>	<u>(127,570)</u>
Non-operating income (expenses):			
Grant revenue for capital outlay	49,968	2,731	52,699
Interest expense	-	(21,262)	(21,262)
Total non-operating income (expenses)	<u>49,968</u>	<u>(18,531)</u>	<u>31,437</u>
Transfers in (out)	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	20,707	(116,840)	(96,133)
Net position, beginning of year	(143,316)	2,667,724	2,524,408
Net position, end of year	<u>\$ (122,609)</u>	<u>\$ 2,550,884</u>	<u>\$ 2,428,275</u>

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

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State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2012

	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Total Governmental Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 69,442	\$ 266,229	\$ 335,671
Cash paid to and on behalf of employees	(16,920)	(80,030)	(96,950)
Cash paid to vendors for goods and services	(48,078)	(170,730)	(218,808)
Net cash flow from operating activities	<u>4,444</u>	<u>15,469</u>	<u>19,913</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>			
Grant revenue	49,968	2,731	52,699
Purchase of capital outlay	(49,968)	-	(49,968)
Interest expense	-	(21,510)	(21,510)
Loan repayments	-	(6,000)	(6,000)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(24,779)</u>	<u>(24,779)</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	4,444	(9,310)	(4,866)
Cash and cash equivalents, beginning of year	<u>7,381</u>	<u>54,919</u>	<u>62,300</u>
Cash and cash equivalents, end of year	<u>\$ 11,825</u>	<u>\$ 45,609</u>	<u>\$ 57,434</u>
Shown on statement of net position as:			
Unrestricted cash and cash equivalents	\$ 10,405	\$ 21,989	\$ 32,394
Cash with paying agent	1,420	1	1,421
Restricted cash and cash equivalents	-	23,619	23,619
Total cash on statement of net position	<u>\$ 11,825</u>	<u>\$ 45,609</u>	<u>\$ 57,434</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FORM OPERATING ACTIVITIES</b>			
Net operating Income	\$ (29,261)	\$ (98,309)	\$ (127,570)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	29,634	104,701	134,335
Change in assets and liabilities:			
Receivables	(2,303)	(13,854)	(16,157)
Prepaid expenses	-	-	-
Accounts payable	2,100	5,220	7,320
Accrued payroll expenses	-	-	-
Compensated absences	(36)	(284)	(320)
Due to/from other funds	-	16,452	16,452
Bond issuance cost	-	278	278
Customer Deposits	-	1,265	1,265
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ 4,444</u>	<u>\$ 15,469</u>	<u>\$ 19,913</u>

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

EXHIBIT I

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

**INDEX**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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  - B. Government-Wide and Fund Financial Statements
  - C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
  - D. Assets, Liabilities and Net Position or Equity
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  - A. Budget Requirements, Accounting and Reporting
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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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- 10. RETIREMENT PLAN – Public Employees Retirement Association
- 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, 2012

**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, 2012

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, 2012

**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 *Airport Fund* is used to account for the construction and equipment used for the airport. Sources of revenue are from federal, state 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, 2012

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, 2012 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 Position.

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

At June 30, 2012 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 Position (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, 2012

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

***Inventory of Supplies:*** There were no material amounts of inventory at June 30, 2012. Purchases for supplies are recorded as expenditures and are not recorded as an asset on the statement of net position 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 Statement of Net Position. 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, 2012

**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, 2012

**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, 2012

**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 Position (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, 2012

**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, 2012.

**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, 2012:

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2012

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

<b>General Fund</b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
206 EMS	\$ 349	
214 Lodger Tax		\$ 6,500
216 Municipal Street		4,818
219 Senior Citizens	\$ 6,960	
509 Ambulance	4,560	
510 Cemetery	578	
504 Landfill	5,795	
505 Water Utility	<u>5,088</u>	<u>-</u>
Total General Fund	<u>23,330</u>	<u>11,318</u>
 <b>Special Revenue Funds</b>		
206 EMS Fund		
101 General Fund		349
214 Lodgers Tax Fund		
101 General Fund	6,500	
216 Municipal Street		
101 General Fund	4,818	
217 Recreation Fund	1,000	
505 Water Utility	36,091	
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>48,409</u>	<u>13,447</u>
 <b>Proprietary Funds</b>		
504 Landfill		
101 General Food		5,795
505 Water Utility		
101 General Fund		5,088
216 Municipal Street		<u>36,091</u>
Total Proprietary Funds	<u>-0-</u>	<u>46,974</u>
Total All Funds	<u>\$71,739</u>	<u>\$71,739</u>

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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, 2012.

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, 2012 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, 2012

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, 2012, the carrying amount of the Town Of Vaughn's deposits at Wells Fargo totaled \$66,225 and the bank balances were \$70,834. The carrying amount at Everyone's Federal Credit Union totaled \$195,681 and the bank balances were \$236,672. 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, 2012 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 2,169	\$ 3,101	
State shared taxes	46,094		
Customer utility accounts			\$ 46,839
Other		<u>16,618</u>	<u>-</u>
	<u>48,263</u>	<u>19,719</u>	<u>46,839</u>
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>1,500</u>
Total	<u>\$ 48,263</u>	<u>\$ 19,719</u>	<u>\$ 45,339</u>

Except as noted, all amounts are considered collectable at June 30, 2012. 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, 2012

5. **CAPITAL ASSETS**

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

<b>Governmental activities</b>	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets not being depreciated:				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	-	259,622	-	259,622
Total	188,265	259,622	-	447,887
Capital assets being depreciated:				
Land improvements	4,924,228	-	-	4,924,228
Buildings	2,053,347	-	-	2,053,347
Machinery and equipment	241,845	26,026	-	267,871
Vehicles	580,563	43,070	-	623,633
Total	7,799,982	69,096	-	7,869,079
Less accumulated depreciation for:				
Land improvements	(383,314)	( 93,364)	-	(476,678)
Buildings	(1,113,319)	( 79,967)	-	(1,193,286)
Machinery and equipment	(162,963)	( 32,449)	-	(195,412)
Vehicles	(554,172)	( 15,730)	-	(569,902)
Total	(2,213,768)	(221,510)	-	(2,435,278)
Total capital assets being depreciated, net	5,586,215	(152,414)	-	5,433,801
Total Governmental activities, capital assets, net	<u>\$ 5,774,480</u>	<u>\$ 107,208</u>	<u>\$ -</u>	<u>\$ 5,881,688</u>

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Capital assets not being depreciated:				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	19,203	-	-	19,203
Capital assets being depreciated:				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery and equipment	<u>354,281</u>	<u>49,968</u>	<u>-</u>	<u>404,249</u>
Total	4,735,778	-	-	4,785,746
Less accumulated depreciation for:				
Buildings	(12,924)	( 1,366)	-	(14,290)
Underground lines	(1,324,311)	(86,947)	-	( 1,411,258)
Machinery and equipment	<u>(178,526)</u>	<u>(46,022)</u>	<u>-</u>	<u>(224,548)</u>
Total	(1,515,761)	(134,335)	-	(1,650,096)
Total capital assets being depreciated, net	<u>3,220,017</u>	<u>( 84,367)</u>	<u>-</u>	<u>3,135,650</u>
Total Business type activities, capital assets, net	<u><u>\$ 3,339,220</u></u>	<u><u>\$ ( 84,367)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,154,853</u></u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2012

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, 2012:

	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2012</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 478,000		\$ 6,000	\$ 472,000	\$ 6,000
Landfill closure costs	43,100	\$ 4,310	-0-	47,410	
Compensated absences	<u>10,604</u>	<u>4,741</u>	<u>5,061</u>	<u>10,284</u>	<u>10,284</u>
Total	<u>\$ 531,704</u>	<u>\$ 9,051</u>	<u>\$ 11,061</u>	<u>\$ 529,694</u>	<u>\$16,284</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>
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	7,000	20,030	27,030
2018-2029	<u>438,000</u>	<u>342,670</u>	<u>780,670</u>
Total	<u>\$472,000</u>	<u>\$445,910</u>	<u>\$917,910</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, 2012

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

The total liabilities for closure and post closure costs of \$47,410 at June 30, 2012 represent the cumulative amount reported to date based upon approximately 23% 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, 2012.

	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2012</u>	<u>Current</u> <u>Portion</u>
Notes payable	\$ 73,177	\$ 36,591	\$ 14,093	\$ 95,675	\$21,669
Accrued compensated absences	<u>32,314</u>	<u>33,529</u>	<u>47,789</u>	<u>18,054</u>	<u>4,470</u>
Total	<u>\$ 105,491</u>	<u>\$ 70,120</u>	<u>\$ 61,882</u>	<u>\$ 113,729</u>	<u>\$26,139</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 \$59,084 at June 30, 2012.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2012

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

The Town entered into a five year note with the New Mexico Finance Authority on December 16, 2011 in the amount of \$36,591 for the purchase of a police vehicle. The note is at 0% interest but includes an administration fee of \$541. There are 4 payment of \$7,318 and one payment of \$7,319. The balance on the note was \$36,591 at June 30, 2012.

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

Year Ended <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Admin Fees</u>	<u>Total</u>
2013	\$21,669	\$1,016	\$ 148	\$ 22,515
2014	21,940	781	112	22,833
2015	22,224	534	75	22,833
2016	22,523	274	38	22,835
2016	<u>7,319</u>	<u>-</u>	<u>-</u>	<u>7,319</u>
Total	<u>\$ 95,675</u>	<u>\$ 2,605</u>	<u>\$ 373</u>	<u>\$ 98,653</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 Position as follows:

Governmental Funds:	<u>Current Portion</u>	<u>Non-current Portion</u>	<u>Total</u>
General Fund	\$ 3,381	\$ 10,671	\$27,390
Seniors Fund	<u>1,089</u>	<u>2,913</u>	<u>4,002</u>
Total	<u>\$ 4,470</u>	<u>\$13,584</u>	<u>\$18,054</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, 2012

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, 2012, the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2012 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 \$36,575 for the fiscal year ended June 30, 2012.

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, 2012, the Town collected \$603 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 \$1,010 in motor vehicle registration fees for the year ended June 30, 2012.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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, 2012, the Town received distributions of cigarette taxes in the amount of \$1,379.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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, 2012, the Town earned \$30,240 in gasoline tax distributions.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

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, 2012, the Town earned taxes in the amount of \$69,424.

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, 2012, the Town earned \$68,007 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 Town 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, 2012, 2011 and 2010 were \$25,553, \$32,593 and \$31,438, respectively which equals the amount of the required contributions for each fiscal year.

11. **RETIREE HEALTH CARE ACT CONTRIBUTIONS**

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2012

**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 and Insurance Services of New Mexico. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Town contributed \$12,725 to the NMSIF and \$39,059 to Insurance Services of New Mexico during the June 30, 2012 fiscal year. Below is a summary of insurance coverage for the fiscal year ended June 30, 2012:

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:                     | 06/30/2012                     |

Property

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | H633-000073-05                   |
| c. Amount of coverage:                  | Replacement cost                 |
| d. Expiration date:                     | 11/03/2012                       |

Auto Liability

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | H633-000073-05                   |
| c. Amount of coverage:                  | Tort limits                      |
| d. Expiration date:                     | 11/03/2012                       |

General Liability

- |   |                                  |
|---|----------------------------------|
| a. Name and address of insurance agent: | Insurance Services of New Mexico |
| b. Policy number:                       | H633-000073-05                   |
| c. Amount of coverage:                  | Tort limits                      |
| d. Expiration date:                     | 11/03/2012                       |

The standard premium for the Workers' Compensation policy is subject to an audit that normally increases or decreases the premium according to the actual payroll expense upon which the premium had been estimated.

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

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2012

12. **RISK MANAGEMENT (continued)**

At June 30, 2012, 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.

13. **BUDGET AUTHORITY EXCEEDED**

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

	Overspent <u>Amount</u>
General Fund	\$157,070
Airport Fund	91,885
EMS Fund	16,822
Fire Protection Fund	5,188
Law Enforcement Fund	1,020
Municipal Street Fund	3,174
Senior Citizens Fund	3,257
Wild Land Fund	6,185
Ambulance Fund	24,120
Debt Service Fund	15,513
Solid Waste Fund	38,966
Water Fund	53,270

14. **SUBSEQUENT EVENTS REVIEW**

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is May 29, 2014, which is the date on which the financial statements were dated.



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State of New Mexico  
**TOWN OF VAUGHN**  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2012

**NON-MAJOR SPECIAL REVENUE FUNDS**

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

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

**Fire Protection** – To account for the operations and maintenance of the fire department. Contributions are from the state fire allotment.

**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.

**Senior Citizens** – To account for funds used to provide services to senior citizens. Financing is from state appropriations, federal funds and local sources.

**Wild Land Fund** – To account for funds used to provide services to fight wild land fires. Financing is from the State of New Mexico Energy, Minerals and Natural Resources Department Forestry Division.

**Cemetery** – To account for revenue from the sales 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 DEBT SERVICE FUND**

**Debt Service** - Used to accumulate monies for payment of interest and principal due on general obligation bonds.

## **SUPPLEMENTARY INFORMATION**

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State of New Mexico  
**TOWN OF VAUGHN**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund	Lodger's Tax Fund
<b>Assets</b>					
Cash and investments	\$ 4,418	\$ (757)	(127)	\$ 25	\$ 83,502
Cash with paying agent	-	-	-	-	-
Taxes and accounts receivable	-	-	-	-	3,101
Due from other funds	-	-	-	-	6,500
Total assets	\$ 4,418	\$ (757)	\$ (127)	\$ 25	\$ 93,103
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 3,526	1,881	\$ -	\$ 393
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	349	-	-	-
Total liabilities	-	3,875	1,881	-	393
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Special revenue funds	4,418	(4,632)	(2,008)	25	92,710
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Assigned for:					
Special revenue funds	-	-	-	-	-
Unassigned for:					
Special revenue funds	-	-	-	-	-
Total fund balance	4,418	(4,632)	(2,008)	25	92,710
Total liabilities and fund balance	\$ 4,418	\$ (757)	\$ (127)	\$ 25	\$ 93,103

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

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Senior Citizens Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-major Funds
\$ 23,746	\$ 8,869	\$ 16,701	\$ 15,671	\$ 8,614	\$ 606	\$ -	\$ 161,268
-	-	-	-	-	-	13,977	13,977
2,447	-	9,531	-	-	4,640	-	19,719
41,909	-	-	-	-	-	-	48,409
<u>\$ 68,102</u>	<u>\$ 8,869</u>	<u>\$ 26,232</u>	<u>\$ 15,671</u>	<u>\$ 8,614</u>	<u>\$ 5,246</u>	<u>\$ 13,977</u>	<u>\$ 243,373</u>
\$ -	\$ -	\$ 3,142	\$ -	\$ -	\$ 598	\$ -	\$ 9,540
-	-	1,089	-	-	-	-	1,089
-	1,000	6,960	-	578	4,560	-	13,447
-	1,000	11,191	-	578	5,158	-	24,076
-	-	-	-	-	-	-	-
68,102	7,869	15,041	15,671	8,036	88	-	205,320
-	-	-	-	-	-	-	-
-	-	-	-	-	-	13,977	13,977
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>68,102</u>	<u>7,869</u>	<u>15,041</u>	<u>15,671</u>	<u>8,036</u>	<u>88</u>	<u>13,977</u>	<u>219,297</u>
<u>\$ 68,102</u>	<u>\$ 8,869</u>	<u>\$ 26,232</u>	<u>\$ 15,671</u>	<u>\$ 8,614</u>	<u>\$ 5,246</u>	<u>\$ 13,977</u>	<u>\$ 243,373</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, 2012

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund	Lodger's Tax Fund
<b>Revenues:</b>					
Taxes - other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	21,000	63,533	21,200	57,413
Grant revenue	-	-	-	-	-
Miscellaneous local sources	5	65	78	1,019	-
Total revenues	<u>5</u>	<u>21,065</u>	<u>63,611</u>	<u>22,219</u>	<u>57,413</u>
<b>Expenditures:</b>					
Current					
Public safety	-	-	70,485	22,220	-
Health and welfare	-	5,822	-	-	-
Culture and recreation	-	-	-	-	5,376
Public works	-	-	-	-	-
Non-Current					
Debt service principal	-	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-	-
Capital outlay	-	19,526	-	-	6,500
Total expenditures	<u>-</u>	<u>25,348</u>	<u>70,485</u>	<u>22,220</u>	<u>11,876</u>
Excess (deficiency) of revenues over (under) expenditures	5	(4,283)	(6,874)	(1)	45,537
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	5	(4,283)	(6,874)	(1)	45,537
Fund balance, beginning of year	<u>4,413</u>	<u>(349)</u>	<u>4,866</u>	<u>26</u>	<u>47,173</u>
Fund balance, end of year	<u>\$ 4,418</u>	<u>\$ (4,632)</u>	<u>\$ (2,008)</u>	<u>\$ 25</u>	<u>\$ 92,710</u>

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

STATEMENT 2

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Senior Citizens Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,842	\$ 15,452	\$ 63,294
30,511	5,010	62,335	21,186	-	-	-	282,188
-	-	-	-	-	-	-	-
21,868	-	3,779	670	762	11,682	61	39,989
<u>52,379</u>	<u>5,010</u>	<u>66,114</u>	<u>21,856</u>	<u>762</u>	<u>59,524</u>	<u>15,513</u>	<u>\$ 385,471</u>
-	-	-	6,185	-	-	-	98,890
-	-	-	-	-	70,307	-	76,129
-	3,274	74,494	-	-	-	-	83,144
53,174	-	-	-	-	-	-	53,174
-	-	-	-	-	-	14,093	14,093
-	-	-	-	-	-	1,420	1,420
-	-	-	-	-	-	-	26,026
<u>53,174</u>	<u>3,274</u>	<u>74,494</u>	<u>6,185</u>	<u>-</u>	<u>70,307</u>	<u>15,513</u>	<u>352,876</u>
(795)	1,736	(8,380)	15,671	762	(10,783)	-	32,595
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(795)</u>	<u>1,736</u>	<u>(8,380)</u>	<u>15,671</u>	<u>762</u>	<u>(10,783)</u>	<u>-</u>	<u>32,595</u>
68,897	6,133	23,421	-	7,274	10,871	13,977	186,702
<u>\$ 68,102</u>	<u>\$ 7,869</u>	<u>\$ 15,041</u>	<u>\$ 15,671</u>	<u>\$ 8,036</u>	<u>\$ 88</u>	<u>\$ 13,977</u>	<u>\$ 219,297</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	-	-	5	5
Total revenue	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</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>-</u>	<u>-</u>	<u>5</u>	<u>(5)</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</u>	
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,413</u>	
Cash balances - end of year			<u>\$ 4,418</u>	
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 5	
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>\$ 5</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ 21,000	\$ 16,000
Miscellaneous local sources	-	-	65	65
Total revenue	<u>5,000</u>	<u>5,000</u>	<u>21,065</u>	<u>16,065</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Operating expenses	5,000	5,000	5,822	(822)
Non-current				
Capital outlay	-	-	16,000	(16,000)
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>21,822</u>	<u>(16,822)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(757)</u>	<u>(757)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	7,000	7,000	-	7,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Net change in fund balances	<u>7,000</u>	<u>7,000</u>	<u>(757)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - end of year	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ (757)</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (757)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(3,526)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (4,283)</u>	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual - Fire Protection Fund - 209  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 58,584	\$ 58,584	\$ 63,533	\$ 4,949
Miscellaneous local sources	5,000	5,000	78	(4,922)
Total revenue	<u>63,584</u>	<u>63,584</u>	<u>63,611</u>	<u>27</u>
<b>Expenditures:</b>				
Public Works:				
Current:				
Operating expenses	63,584	63,584	68,772	(5,188)
Non-current				
Capital outlay	-	-	0	-
Total expenditures	<u>63,584</u>	<u>63,584</u>	<u>68,772</u>	<u>(5,188)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(5,161)</u>	<u>(5,161)</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>(5,161)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>5,034</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (127)</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (5,161)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,713)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (6,874)</u>	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 5

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Law Enforcement Fund - 211  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 21,200	\$ 21,200	\$ 21,200	\$ -
Miscellaneous local sources	-	-	1,019	1,019
Total revenue	21,200	21,200	22,219	1,019
<b>Expenditures:</b>				
<b>Public Safety:</b>				
<b>Current:</b>				
Operating expenses	21,200	21,200	22,220	(1,020)
<b>Non-current</b>				
Capital outlay	-	-	-	-
Total expenditures	21,200	21,200	22,220	(1,020)
Excess (deficiency) of revenues over (under) expenditures	-	-	(1)	(1)
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(1)	-
Cash balances - beginning of year			26	
Cash balances - end of year	\$ -	\$ -	\$ 25	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (1)	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Lodgers Tax Fund - 214  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 40,000	\$ 40,000	\$ 51,278	\$ 11,278
Miscellaneous local sources	-	-	-	-
Total revenue	<u>40,000</u>	<u>40,000</u>	<u>51,278</u>	<u>11,278</u>
<b>Expenditures:</b>				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	21,000	21,000	5,365	15,635
Non-current				
Capital outlay	-	-	6,500	(6,500)
Total expenditures	<u>21,000</u>	<u>21,000</u>	<u>11,865</u>	<u>9,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,000</u>	<u>19,000</u>	<u>39,413</u>	<u>20,413</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>19,000</u>	<u>19,000</u>	<u>39,413</u>	<u>20,413</u>
Cash balances - beginning of year			<u>44,089</u>	
Cash balances - end of year	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 83,502</u>	<u>\$ 20,413</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 39,413	
Adjustment to revenues for accruals and other deferrals			6,135	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(11)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 45,537</u>	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual - Street Fund - 216  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 22,000	\$ 22,000	\$ 30,511	\$ 8,511
CDBG Grant	-	-	-	-
Miscellaneous local sources	-	-	3,518	3,518
Total revenue	<u>22,000</u>	<u>22,000</u>	<u>34,029</u>	<u>12,029</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	50,000	50,000	53,174	(3,174)
Non-current				
Capital outlay	-	-	0	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>53,174</u>	<u>(3,174)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,000)</u>	<u>(28,000)</u>	<u>(19,145)</u>	<u>8,855</u>
Other financing sources (uses):				
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>(19,145)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>42,891</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,746</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (19,145)	
Adjustment to revenues for accruals and other deferrals			18,350	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (795)</u>	

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

STATEMENT 8

State of New Mexico  
**TOWN OF VAUGHN**  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non - GAAP Basis) - Recreation Fund - 217  
 For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Miscellaneous local sources	-	-	5,010	5,010
Total revenue	2,000	2,000	5,010	3,010
<b>Expenditures:</b>				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	4,000	4,000	3,274	726
Non-current				
Capital outlay	-	-	-	-
Total expenditures	4,000	4,000	3,274	726
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(2,000)	1,736	3,736
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(2,000)	(2,000)	1,736	-
Cash balances - beginning of year			7,133	
Cash balances - end of year	\$ (2,000)	\$ (2,000)	\$ 8,869	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,736	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 1,736	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Senior Citizens Fund - 219  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 61,000	\$ 61,000	\$ 52,804	\$ (8,196)
Federal Funding	18,000	18,000	-	(18,000)
Miscellaneous local sources	500	500	3,779	3,279
Total revenue	<u>79,500</u>	<u>79,500</u>	<u>56,583</u>	<u>(22,917)</u>
Expenditures:				
Culture and recreation:				
Current:				
Personal services	-	-	30,955	(30,955)
Operating expenses	70,000	70,000	42,302	27,698
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>73,257</u>	<u>(3,257)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,500</u>	<u>9,500</u>	<u>(16,674)</u>	<u>(26,174)</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>9,500</u>	<u>9,500</u>	<u>(16,674)</u>	<u>-</u>
Cash balances - beginning of year			<u>33,375</u>	
Cash balances - end of year	<u>\$ 9,500</u>	<u>\$ 9,500</u>	<u>\$ 16,701</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (16,674)	
Adjustment to revenues for accruals and other deferrals			9,531	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,237)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (8,380)</u>	

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) - Wildland Fund - 299  
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
State Funding	\$ -	\$ -	\$ 21,186	\$ 21,186
Miscellaneous local sources	-	-	670	670
Total revenue	<u>-</u>	<u>-</u>	<u>21,856</u>	<u>21,856</u>
<b>Expenditures:</b>				
Culture and recreation:				
Current:				
Operating expenses	-	-	6,185	(6,185)
Non-current				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,185</u>	<u>(6,185)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>15,671</u>	<u>15,671</u>
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	20,000	20,000	-	20,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	<u>20,000</u>	<u>20,000</u>	<u>15,671</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - end of year	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 15,671</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 15,671	
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>\$ 15,671</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) - Cemetery Fund - 510  
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous local sources	\$ 525	\$ 525	\$ 762	\$ 237
Total revenue	<u>525</u>	<u>525</u>	<u>762</u>	<u>237</u>
Expenditures:				
Health and welfare:				
Current:				
Operating expenses	100	100	0	100
Total expenditures	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>425</u>	<u>425</u>	<u>762</u>	<u>337</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>425</u>	<u>425</u>	<u>762</u>	<u>-</u>
Cash balances - beginning of year			7,852	
Cash balances - end of year	<u>\$ 425</u>	<u>\$ 425</u>	<u>\$ 8,614</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 762	
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>\$ 762</u>	

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

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ 49,782	\$ 49,782
Charges for Services	4,000	4,000	9,176	5,176
Miscellaneous local sources	44,000	44,000	2,506	(41,494)
Total revenue	<u>48,000</u>	<u>48,000</u>	<u>61,464</u>	<u>13,464</u>
Expenditures:				
Public Safety:				
Current:				
Personnel services	-	-	40,379	(40,379)
Operating expenses	46,000	46,000	29,741	16,259
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>46,000</u>	<u>46,000</u>	<u>70,120</u>	<u>(24,120)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,000</u>	<u>2,000</u>	<u>(8,656)</u>	<u>(10,656)</u>
Other financing sources (uses):				
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>2,000</u>	<u>2,000</u>	<u>(8,656)</u>	<u>-</u>
Cash balances - beginning of year			<u>9,262</u>	
Cash balances - end of year	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 606</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (8,656)	
Adjustment to revenues for accruals and other deferrals			(1,940)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(187)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (10,783)</u>	

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

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ -	\$ -	\$ 15,513	\$ 15,513
Total revenue	-	-	15,513	15,513
Expenditures:				
Non-current:				
Debt service:				
Principal payment	-	-	14,093	(14,093)
Interest payment	-	-	1,420	(1,420)
Agent fees	-	-	-	-
Total expenditures	-	-	15,513	(15,513)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Loan Proceeds	15,331	15,331	-	15,331
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	15,331	15,331	-	15,331
Net change in fund balances	15,331	15,331	-	-
Cash balances - beginning of year			13,977	
Cash balances - end of year	\$ 15,331	\$ 15,331	\$ 13,977	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

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

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, 2012

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues				
Charges for services	\$ 76,000	\$ 76,000	\$ 69,442	\$ (6,558)
Capital Outlay Grant	-	-	49,968	49,968
Total revenues	76,000	76,000	119,410	43,410
Expenses				
Current				
Operating expenses	76,000	76,000	64,998	11,002
Non-current				
Debt service	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	49,968	(49,968)
Total expenses	76,000	76,000	114,966	(38,966)
Excess (deficiency) of revenues over (under) expenditures	-	-	4,444	4,444
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	4,444	4,444
Cash balances - beginning of year	-	-	7,381	
Cash balances - end of year	\$ -	\$ -	\$ 11,825	\$ 4,444
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,444	
Adjustment to revenues for accruals and other deferrals			2,303	
Adjustment to expenditures for payables, prepaids and other accruals			13,960	
Net change in fund balance (GAAP Basis)			\$ 20,707	

The accompanying notes are an integral part of these Financial Statements.  
STATEMENT 15

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 248,135	\$ 248,135	\$ 266,055	\$ 17,920
Miscellaneous	-	-	2,905	2,905
Total revenues	<u>248,135</u>	<u>248,135</u>	<u>268,960</u>	<u>20,825</u>
Expenses				
Current				
Personnel services	-	-	80,030	(80,030)
Operating expenses	225,000	225,000	106,164	118,836
Fuel and power utilities	-	-	64,566	(64,566)
Non-current				
Debt service	-	-	6,000	(6,000)
Interest and fiscal charges	-	-	21,510	(21,510)
Capital outlay	-	-	-	-
Total expenses	<u>225,000</u>	<u>225,000</u>	<u>278,270</u>	<u>(53,270)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,135</u>	<u>23,135</u>	<u>(9,310)</u>	<u>74,095</u>
Other financing sources (uses):				
Loan 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>23,135</u>	<u>23,135</u>	<u>(9,310)</u>	<u>74,095</u>
Cash balances - beginning of year	-	-	54,919	
Cash balances - end of year	<u>\$ 23,135</u>	<u>\$ 23,135</u>	<u>\$ 45,609</u>	<u>\$ 74,095</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (9,310)	
Adjustment to revenues for accruals and other deferrals			13,854	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(121,384)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (116,840)</u>	

SEE INDEPENDENT AUDITOR'S REPORTS

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

STATEMENT 16

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**OTHER SUPPLEMENTARY INFORMATION**



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State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF BANK DEPOSITORIES  
 June 30, 2012

<u>Bank Name</u>	<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits in Transit</u>	<u>Book Balance</u>
Wells Fargo Bank						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,418	\$ -		\$ 4,418
	Juvenile Recreation Fund	1	395	-		395
	Municipal Rd 10% Plate Fund	1	23,746	-		23,746
	General Fund	1	23,474	4,609	-	18,865
	Total		52,033	4,609	-	47,424
Business-type Activities						
	Water & Sewer Improvement	1	1	-		1
	Water & Sewer Improvement	1	11,500	-		11,500
	Water Department	3	7,300	-		7,300
	Total		18,801	-	-	18,801
	Total Wells Fargo Bank		\$ 70,834	\$ 4,609	\$ -	\$ 66,225
Everyone's Federal Credit Union						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commerical Dre	1	9,716	1,267	-	8,449
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Accoun	1	17,319	18,101	-	(782)
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	16,311	16,463	-	(152)
	Fire Fund/Wildland Share Account	1	25	-	-	25
	Fire Fund/Wildland Commercial Draft Acc	1	15,646	-	-	15,646
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Acco	1	45	45	-	-
	Senior Citizens Fund Share Account	1	25	-	-	25
	Senior Citizens Commercial Draft Accoun	1	17,826	1,150	-	16,676
	Ambulance Service Fund Share Account	1	25	-	-	25
	Ambulance Service Commercial Draft Acc	1	2,547	1,966	-	581
	Operation & Maintenance Fund Share Acc	1	25	-	-	25
	Operation & Maintenance Commercial Dr.	1	11,865	1,401	-	10,464
	Landfill Operations Share Account	1	113	-	-	113
	Landfill Operations Commercial Draft Acc	1	10,890	598	-	10,292
	Cemetery Share Account	1	25	-	-	25
	Cemetery Commercial Draft Account	1	8,589	-	-	8,589
	Meter Fund Share Account	1	25	-	-	25
	Meter Fund Commerical Draft	1	16,294	-	-	16,294
	Lodgers Tax Fund Share Account	1	25	-	-	25
	Lodgers Tax Fund Commercial Draft Accc	1	83,477	-	-	83,477
	CDBG Account	1	25,759	-	-	25,759
	Total Everyone's Federal Credit Union		236,672	40,991	-	195,681
Bank of Albuquerque						
	Trust Service/Debt Service	4	\$ 13,950	\$ -	\$ -	\$ 13,950
	Total Bank of Albuquerque		\$ 13,950	\$ -	\$ -	\$ 13,950
New Mexico Finance Authority						
	State Treasurer D/S	4	\$ 1,420	\$ -	\$ -	\$ 1,420
	State Treasurer D/S	4	3	-	-	3
	State Treasurer D/S	4	24	-	-	24
	Total New Mexico Finance Authority		\$ 1,447	\$ -	\$ -	\$ 1,447
Total all accounts			\$ 322,903	\$ 45,600	\$ -	\$ 277,303

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 17

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State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF JOINT POWERS AGREEMENTS  
 For the Year Ended June 30, 2012

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, 2011 through June 30, 2012 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, 2011 through June 30, 2012 Unknown Personnel and equipment Town of Vaughn Town of Vaughn Town of Vaughn

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

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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. Roman 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, 2012, and have issued my report thereon dated May 29, 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

Management of the Town of Vaughn is responsible for establishing and maintaining effective 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. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.



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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 described as findings 2007-01, 2007-02, 2008-10, 2009-01, 2010-02, 2011-01 and 2011-03.

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, 2010-03, 2011-04 and 2012-03 in the accompanying schedule of findings and responses to be significant deficiencies.

#### 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, 2011-04, 2012-01, 2012-02 and 2012-03.

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

This report is intended solely for the information and use of management, the Town Council, others within the entity, the Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services  
Estancia, New Mexico  
May 29, 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, 2012

**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, 2012

**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
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	Resolved
2011-01 Bank Reconciliations	Repeated
2011-02 Inappropriate Expenditures in the Fire Fund	Resolved
2011-03 Transactions Incorrectly Recorded	Repeated, Revised
2011-04 Department of Finance and Administration (DFA) Reports Do Not Reconcile to the General Ledger	Repeated

**Current Year Findings**

2012-01 DFA Quarterly Reports Not Submitted
2012-02 Deficit Cash in Special Revenue Funds
2012-03 Purchase Order Violations



State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2012

**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, 2012, 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, 2012

**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	\$339,570	\$496,640	\$157,070
Airport Fund	409	167,737	259,622	91,885
EMS Fund	206	5,000	21,822	16,822
Fire Fund	209	63,584	68,772	5,188
Law Enforcement Fund	211	21,200	22,220	1,020
Municipal Street Fund	216	50,000	53,174	3,174
Senior Citizens Fund	219	70,000	73,257	3,257
Wild Land Fund	299	-0-	6,185	6,185
Ambulance Fund	509	46,000	70,120	24,120
Debt Service Fund	402	-0-	15,513	15,513
Solid Waste Fund	504	76,000	114,966	38,966
Water Fund	505	225,000	278,270	53,270

**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, 2012

**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 Airport Fund were 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, 2012 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, 2012

**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 working with an independent accountant that is helping implement a new chart of accounts in order to be able to produce an accurate trial balance for each fund. The accountant is also providing training for the office staff in order to maintain this accounting system.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2012

**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, 2012

**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 (Material Weakness)**

**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 \$54,422 tax liability by the end of the fiscal year June 30, 2012.

**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, 2012

**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.

**2011-01 Bank 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.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2012

**2011-03 Transactions Incorrectly Recorded (Material Weakness)**

**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:** The following was noted during my review of the revenue and expenditures test work.

The Lodger's Tax Fund expended \$100,390 for Airport Fund expenditures. The Lodger's Tax Fund received \$60,000 from the General Fund and \$40,390 from the Water Fund for reimbursement.

The Lodger's Tax Fund expended \$6,500 for a K-9 Police Dog, which should have been expended from the Law Enforcement fund or the General Fund.

The Municipal Streets Fund expended \$8,147 of Airport Fund Expenditures. An amount of \$3,518 was reimbursed to the Municipal Streets Fund for Airport Fund expenditures from the General Fund.

The Municipal Streets Fund expended \$13,721 for Water Fund expenditures.

The Water Fund received \$103,814 for Airport Funds and paid \$59,788 Airport Fund expenditures and transferred \$60,000 to the Lodger's Tax Fund for Airport Expenditures.

The General Fund expended \$49,968 for Solid Waste Fund equipment. The General Fund received \$49,968 revenue from the State Department for Solid Waste Fund equipment.

**Cause:** Errors are being made in posting to the general ledger and various special revenue funds and 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 receipts and disbursements are correctly recorded in the proper fund and bank accounts in order to meet the fund objectives and requirements.

**Management's response:** The Town is currently training personnel on accounting policies and procedures for recording revenue and expenditures in the proper accounts.



State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2012

**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.

**2012-01 Department of Finance and Administration Quarterly Reports Not Submitted (Non-compliance)**

**Criteria:** The Town is required to submit quarterly reports to Department of Finance and Administration (DFA).

**Condition:** Three out of four quarterly DFA reports were not submitted to the DFA and the one report submitted was late.

**Cause:** The administrative staff was not informed or trained on the reporting requirements for the DFA quarterly reports.

**Effect:** The Town may not be able to receive funding from the DFA in the future.

**Recommendation:** The Town administrative staff should be trained and informed of all deadlines and reporting requirements.

**Management's response:** The administrative staff is currently being trained on proper reporting to the Department of Finance and Administration.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2012

**2012-02 Deficit Cash in Special Revenue Funds (Non-Compliance)**

**Criteria:** Internal control should exist to provide reasonable assurance that no disbursement is made that would result in a deficit balance according to 6-10-2 NMSA 1978.

**Condition:** There were cash deficit balances within the special revenue funds at the end of the fiscal year. The following funds showed deficit balances at year-end.

Fire Protection Fund	(\$152)
EMS Fund	(\$782)

**Cause:** Failure to properly monitor the disbursements made from individual funds created a deficit balance.

**Effect:** The Town may incur additional charges from the bank for insufficient funds.

**Recommendation:** Procedures should be implemented and enforced to monitor all bank balances and availability of funds prior to expenditures.

**Management's response:** Administrative personnel will monitor cash balances in special revenue funds before expenditures are made to ensure adequate cash balances are maintained.

**2012-03 Purchase Order Violations (Significant Deficiency and Non-Compliance)**

**Criteria:** According to the Department of Finance and Administration regulations, purchase orders are to be used as part of the internal control process. Purchase orders are used to ensure the purchase has been authorized, cash and budget are available and the correct fund has been charged.

**Condition:** Forty out of forty paid invoices tested did not have an approved purchase order attached the total dollar amount was \$15,204.

**Cause:** The purchase order process is not being enforced and purchase orders are not being prepared.

**Effect:** The DFA regulations have not been followed.

**Recommendation:** The Town administrative staff should utilize the purchase order system in order to prevent cash shortages, budget shortages, and inappropriate funds being used for expenditures.

**Management's response:** Purchase orders will be used and policy will be followed according to the DFA policy on purchase orders.

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State of New Mexico  
**TOWN OF VAUGHN**  
EXIT CONFERENCE  
For the Year Ended June 30, 2012

**EXIT CONFERENCE**

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on May 29, 2014. Those attending were Roman Garcia, Mayor, Rudy Martinez, Council Member, Paula Foote, Assistant Clerk and Renea L. Calhoun, CPA. The financial statements and audit report were discussed.

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