

STATE OF NEW MEXICO

TOWN OF VAUGHN

Independent Auditors' Report and

Annual Financial Statements

June 30, 2013

State of New Mexico
TOWN OF VAUGHN
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June 30, 2013

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TOWN OF VAUGHN
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State of New Mexico
TOWN OF VAUGHN
OFFICEAL ROSTER
June 30, 2013

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**

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Town of Vaughn (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. I have also audited the financial statements of each of the Town's non-major governmental funds and the budgetary comparisons for the major capital project funds, debt service fund, proprietary funds, and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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Basis for Qualified Opinion

I was not able to verify balances due to inadequate accounting records relating to the Town's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2013. Furthermore, evidence supporting historical cost of capital assets maintained by the Village was not available. I was unable to verify either accumulated depreciation at July 1, 2012 or the depreciation expense for the fiscal year ended June 30, 2013.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each Town as of June 30, 2013, and the changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2013, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the debt service fund, proprietary funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America 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.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules and supporting schedules listed as "supplementary information and other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual fund statements and schedules and supporting schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund statements and schedules and supporting schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 7, 2014 on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Calhoon Accounting & Tax Services

Calhoon Accounting & Tax Services
Estancia, New Mexico
July 7, 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, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and investments	\$ 211,466	\$ 28,623	\$ 240,089
Cash with paying agent	14,002	1	14,003
Receivables, net	45,915	40,436	86,351
Interfund balances	78,532	1,420	79,952
Bond issuance costs	-	8,891	8,891
Restricted assets:			
Meter deposits	-	23,940	23,940
Capital assets:			
Land and construction work in progress	279,815	19,203	299,018
Other capital assets	8,131,960	4,798,346	12,930,306
	8,411,775	4,817,549	13,229,324
Accumulated depreciation	(2,669,172)	(1,779,359)	(4,448,531)
Net capital assets	5,742,603	3,038,190	8,780,793
Total assets	\$ 6,092,518	\$ 3,141,501	\$ 9,234,019
Liabilities			
Accounts payable and accrued expenses	\$ 76,357	\$ 245,173	\$ 321,530
Compensated absences - current	5,444	10,013	15,457
Deposits held in trust for others	-	16,607	16,607
Due to other funds	16,445	63,507	79,952
Long-term liabilities:			
Due within one year	21,940	7,000	28,940
NMFA notes payable	52,066	459,000	511,066
Landfill closure costs	-	51,720	51,720
Compensated absences	13,316	-	13,316
	185,568	853,020	1,038,588
Total liabilities	\$ 185,568	\$ 853,020	\$ 1,038,588
Net Position			
Net investment in capital assets	\$ 5,668,597	\$ 2,572,190	\$ 8,240,787
Restricted for:			
Special revenue	215,155	-	215,155
Capital outlay	-	-	-
Debt service	14,002	-	14,002
Unrestricted for:			
General	9,196	(283,709)	(274,513)
	5,906,950	2,288,481	8,195,431
Total net position	\$ 6,092,518	\$ 3,141,501	\$ 9,234,019

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

State of New Mexico
TOWN OF VAUGHN
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Service
Primary Government:		
Government activities:		
General government	\$ 481,764	\$ 74,744
Public safety	179,981	670
Highways and streets	35,478	-
Health and welfare	52,771	25,403
Culture and recreation	100,674	4,266
Interest on long-term obligation	1,163	-
Total governmental activities	\$ 851,831	\$ 105,083
Business-type Activities:		
Solid Waste	\$ 94,248	\$ 60,435
Water and Sewer	421,908	313,192
Total business-type activities	\$ 516,156	\$ 373,627
Total Primary Government	\$ 1,367,987	\$ 478,710

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

EXHIBIT B

State of New Mexico
TOWN OF VAUGHN
Statement of Activities
For the Year Ended June 30, 2013

	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
			Primary Government		
			Governmental Activities	Business-type Activities	Total
	\$ 55,195	\$ 117,639	\$ (234,186)	\$ -	\$ (234,186)
	75,481	-	(103,830)	-	(103,830)
	34,833	-	(645)	-	(645)
	7,417	-	(19,951)	-	(19,951)
	51,539	-	(44,869)	-	(44,869)
	-	-	(1,163)	-	(1,163)
	<u>\$ 224,465</u>	<u>\$ 117,639</u>	<u>\$ (404,644)</u>	<u>\$ -</u>	<u>\$ (404,644)</u>
	\$ -	\$ -	\$ -	\$ (33,813)	\$ (33,813)
	-	-	-	(108,716)	(108,716)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (142,529)</u>	<u>\$ (142,529)</u>
	<u>\$ 224,465</u>	<u>\$ 117,639</u>	\$ (404,644)	\$ (142,529)	\$ (547,173)
General Revenues:					
Taxes:					
			53,704	-	53,704
			227,343	-	227,343
			2,099	-	2,099
			86	-	86
			283,232	-	283,232
			(2,735)	2,735	-
		Change in net position	(124,147)	(139,794)	(263,941)
	Net position - beginning		6,031,097	2,428,275	8,459,372
	Net position - ending		<u>\$ 5,906,950</u>	<u>\$ 2,288,481</u>	<u>\$ 8,195,431</u>

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

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State of New Mexico
TOWN OF VAUGHN
Balance Sheet - Governmental Funds
As of June 30, 2013

	<u>General Fund</u>	<u>Senior Citizens Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
Assets					
Cash and investments	\$ 40,220	\$ 1,136	\$ (2,513)	\$ 172,623	\$ 211,466
Cash with paying agent	-	-	-	14,002	14,002
Tax and accounts receivable	13,853	3,645	-	13,845	31,343
Due from other funds	32,610	-	2,513	43,409	78,532
Total assets	<u>\$ 86,683</u>	<u>\$ 4,781</u>	<u>\$ -</u>	<u>\$ 243,879</u>	<u>\$ 335,343</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 8,055	\$ 1,056	\$ -	\$ 7,274	\$ 16,385
Accrued salaries & benefits	59,972	-	-	-	59,972
Accrued compensated absences	4,398	1,046	-	-	5,444
Due to other funds	6,318	6,960	-	3,167	16,445
Total liabilities	<u>78,743</u>	<u>9,062</u>	<u>-</u>	<u>10,441</u>	<u>98,246</u>
Fund balance:					
Restricted for:					
General fund	-	-	-	-	-
Special revenue funds	-	(4,281)	-	219,436	215,155
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	14,002	14,002
Assigned for:					
General fund	-	-	-	-	-
Special revenue fund	-	-	-	-	-
Unassigned for:					
Special revenue fund	-	-	-	-	-
General fund	7,940	-	-	-	7,940
Total fund balance	<u>7,940</u>	<u>(4,281)</u>	<u>-</u>	<u>233,438</u>	<u>237,097</u>
Total liabilities and fund balance	<u>\$ 86,683</u>	<u>\$ 4,781</u>	<u>\$ -</u>	<u>\$ 243,879</u>	<u>\$ 335,343</u>

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

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State of New Mexico
TOWN OF VAUGHN
 Reconciliation of the Balance Sheet - Governmental Funds
 To the Statement of Net Position
 As of June 30, 2013

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

Total Fund balances - Governmental Funds	\$	237,097
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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.		14,572
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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:	\$ 8,411,775		
Accumulated depreciation is	<u>(2,669,172)</u>	5,742,603	

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	(74,006)		
Accrued compensated absences - non current	<u>(13,316)</u>	<u>(87,322)</u>	

Total net position-governmental activities		<u><u>\$ 5,906,950</u></u>
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The accompanying notes are an integral part of these financial statements.
 EXHIBIT C, continued

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State of New Mexico
TOWN OF VAUGHN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Senior Citizens Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 222,368	\$ -	\$ -	\$ 56,925	\$ 279,293
Intergovernmental - State	55,195	51,539	541	165,626	272,901
Licenses and permits	615	-	-	-	615
Charges for services	-	-	-	-	-
Fines and forfeits	16,069	-	-	-	16,069
Interest on Investments	-	-	-	-	-
Miscellaneous	58,060	3,752	8,392	26,964	97,168
Federal revenue	-	-	85,876	-	85,876
Total revenue	<u>352,307</u>	<u>55,291</u>	<u>94,809</u>	<u>249,515</u>	<u>751,922</u>
Expenditures:					
Current					
General government	234,642	-	-	-	234,642
Public safety	123,731	-	-	68,850	192,581
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	52,771	52,771
Culture and recreation	7,042	71,241	-	22,391	100,674
Public works	-	-	-	35,478	35,478
Other - miscellaneous	896	-	-	-	896
Noncurrent					
Debt service-principal	-	-	-	21,669	21,669
Debt service-Interest and fiscal charges	-	-	-	1,163	1,163
Capital outlay	-	-	94,809	-	94,809
Total expenditures	<u>366,311</u>	<u>71,241</u>	<u>94,809</u>	<u>202,322</u>	<u>734,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,004)</u>	<u>(15,950)</u>	<u>-</u>	<u>47,193</u>	<u>17,239</u>
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	20,567	-	-	18,394	38,961
Operating transfers out	(1,919)	(3,372)	-	(36,405)	(41,696)
Total other financing sources (uses)	<u>18,648</u>	<u>(3,372)</u>	<u>-</u>	<u>(18,011)</u>	<u>(2,735)</u>
Net change in fund balances	4,644	(19,322)	-	29,182	14,504
Fund balances - beginning of year	<u>3,296</u>	<u>15,041</u>	<u>-</u>	<u>204,256</u>	<u>222,593</u>
Fund balances - end of year	<u>\$ 7,940</u>	<u>\$ (4,281)</u>	<u>\$ -</u>	<u>\$ 233,438</u>	<u>\$ 237,097</u>

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

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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, 2013

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

Total net change in fund balances - governmental funds	\$	14,504
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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	(233,894)	
Capital outlays	94,809	(139,085)

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

Decrease in receivables	(21,503)	
Decrease in compensated absences payable	268	(21,235)

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	21,669	
Loan proceeds	-	21,669

Total changes in net position-governmental activities	\$	<u>(124,147)</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 121,113	\$ 121,113	\$ 222,368	\$ 101,255
Intergovernmental - State	137,466	137,466	55,195	(82,271)
License and fees	603	603	615	12
Charges for Services	-	-	-	-
Fines and forfeits	31,725	31,725	16,069	(15,656)
Interest on investments	-	-	-	-
Miscellaneous	176,149	176,149	47,115	(129,034)
Total Revenues	<u>467,056</u>	<u>467,056</u>	<u>341,362</u>	<u>(125,694)</u>
Expenditures:				
Current:				
General government	268,865	268,865	245,345	23,520
Public safety	117,000	117,000	111,131	5,869
Highways and streets	19,000	19,000	-	19,000
Culture and recreation	8,000	8,000	7,042	958
Other - Miscellaneous	5,200	5,200	896	4,304
Non-current				
Capital outlay	-	-	-	-
Debt service principle	-	-	-	-
Debt service interest	-	-	-	-
Total expenditures	<u>418,065</u>	<u>418,065</u>	<u>364,414</u>	<u>53,651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,991</u>	<u>48,991</u>	<u>(23,052)</u>	<u>(179,345)</u>
Other financing sources (uses):				
Transfers in (out)	-	-	18,648	(18,648)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>18,648</u>	<u>(18,648)</u>
Net change in fund balances	<u>48,991</u>	<u>48,991</u>	<u>(4,404)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>44,624</u>	<u>-</u>
Cash balances - end of year	<u>\$ 48,991</u>	<u>\$ 48,991</u>	<u>\$ 40,220</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,404)	
Adjustment to revenues for accruals and other deferrals			10,945	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,897)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 4,644</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) - Senior Citizens Fund - 219
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 50,358	\$ 50,358	\$ 57,425	\$ 7,067
Federal Funding	18,000	18,000	-	(18,000)
Miscellaneous local sources	500	500	3,752	3,252
Total revenue	<u>68,858</u>	<u>68,858</u>	<u>61,177</u>	<u>(7,681)</u>
Expenditures:				
Culture and recreation:				
Current:				
Personal services	-	-	43,935	(43,935)
Operating expenses	50,858	50,858	29,435	21,423
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>50,858</u>	<u>50,858</u>	<u>73,370</u>	<u>(22,512)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,000</u>	<u>18,000</u>	<u>(12,193)</u>	<u>(30,193)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(3,372)	3,372
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,372)</u>	<u>3,372</u>
Net change in fund balances	<u>18,000</u>	<u>18,000</u>	<u>(15,565)</u>	<u>-</u>
Cash balances - beginning of year			<u>16,701</u>	
Cash balances - end of year	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 1,136</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (15,565)	
Adjustment to revenues for accruals and other deferrals			(5,886)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>2,129</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (19,322)</u>	

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

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State of New Mexico
TOWN OF VAUGHN
Statement of Revenues and Expenditures
Budget and Actual (Non - GAAP Basis) - Airport Fund - 409
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Grant Revenue	\$ 92,625	\$ 92,625	92,296	\$ (329)
Total revenue	<u>92,625</u>	<u>92,625</u>	<u>92,296</u>	<u>(329)</u>
Expenditures:				
Non-current:				
Capital assets:				
Capital outlay	92,625	92,625	94,809	(2,184)
Total expenditures	<u>92,625</u>	<u>92,625</u>	<u>94,809</u>	<u>(2,184)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,513)</u>	<u>(2,513)</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>(2,513)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,513)</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (2,513)	
Adjustment to revenues for accruals and other deferrals			2,513	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

EXHIBIT G

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State of New Mexico
TOWN OF VAUGHN
Statement of Net Position - Proprietary Funds
As of June 30, 2013

	Solid Waste	Water and Sewer	Total
Assets			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 4,632	\$ 23,991	\$ 28,623
Cash with paying agent	-	1	1
Customer accounts receivable, net of allowance for doubtful accounts	8,087	32,349	40,436
Due from Other Funds	1,420	-	1,420
Deferred bond issuance costs	-	8,891	8,891
Total current unrestricted assets	14,139	65,232	79,371
Current assets, restricted:			
Cash, cash equivalents and investments			
Meter deposits	-	23,940	23,940
Total restricted assets	-	23,940	23,940
Total current assets	14,139	89,172	103,311
Capital assets:			
Land and construction work in progress	3,500	15,703	19,203
Other capital assets	252,970	4,545,376	4,798,346
Less: accumulated depreciation	(138,870)	(1,640,489)	(1,779,359)
Net capital assets	117,600	2,920,590	3,038,190
Total assets	\$ 131,739	\$ 3,009,762	\$ 3,141,501
Liabilities and Equity			
Current liabilities, payable from unrestricted assets:			
Accounts Payables	218,365	7,585	225,950
Accrued interest	-	19,223	19,223
Current portion of long-term debt	-	7,000	7,000
Compensated absences	1,101	8,912	10,013
Due to other funds	18,395	45,112	63,507
Total current liabilities payable from unrestricted assets	237,861	87,832	325,693
Current liabilities, payable from restricted assets:			
Customer deposits	-	16,607	16,607
Total liabilities payable from restricted assets	-	16,607	16,607
Total current liabilities	237,861	104,439	342,300
Long-term liabilities			
NMFA note payable	-	459,000	459,000
Landfill closure costs	51,720	-	51,720
Total long-term liabilities	51,720	459,000	510,720
Total liabilities	\$ 289,581	\$ 563,439	\$ 853,020
Fund equity:			
Net investment in capital assets	\$ 117,600	\$ 2,454,590	\$ 2,572,190
Unrestricted net assets	(275,442)	(8,267)	(283,709)
Total net position	\$ (157,842)	\$ 2,446,323	\$ 2,288,481

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

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State of New Mexico
TOWN OF VAUGHN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	56,336	303,401	\$ 359,737
Other	4,099	9,791	13,890
Total operating revenue	<u>60,435</u>	<u>313,192</u>	<u>373,627</u>
Operating expenses:			
Personnel services	27,522	69,664	97,186
Operating expenses	35,285	181,811	217,096
Fuel and power/utilities	6,879	44,739	51,618
Depreciation	24,562	104,701	129,263
Other	-	-	-
Total operating expenses	<u>94,248</u>	<u>400,915</u>	<u>495,163</u>
Operating income (loss)	<u>(33,813)</u>	<u>(87,723)</u>	<u>(121,536)</u>
Non-operating income (expenses):			
Grant revenue for capital outlay	-	-	-
Interest expense	-	(20,993)	(20,993)
Total non-operating income (expenses)	<u>-</u>	<u>(20,993)</u>	<u>(20,993)</u>
Income (loss) before contributions and transfers	<u>(33,813)</u>	<u>(108,716)</u>	<u>(142,529)</u>
Transfers in (out)	<u>(1,420)</u>	<u>4,155</u>	<u>2,735</u>
Total transfers	(1,420)	4,155	2,735
Change in net position	(35,233)	(104,561)	(139,794)
Net position, beginning of year	(122,609)	2,550,884	2,428,275
Net position, end of year	<u>\$ (157,842)</u>	<u>\$ 2,446,323</u>	<u>\$ 2,288,481</u>

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

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State of New Mexico
TOWN OF VAUGHN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Total Governmental Funds</u>
Cash flows from operating activities			
Cash received from customers	58,091	319,019	\$ 377,110
Cash paid to and on behalf of employees	(27,552)	(69,905)	(97,457)
Cash paid to vendors for goods and services	(36,312)	(223,706)	(260,018)
Net cash flow from operating activities	<u>(5,773)</u>	<u>25,408</u>	<u>19,635</u>
Cash flows used for noncapital financing activities			
Operating transfers received (paid)	(1,420)	4,155	2,735
Net cash flow from noncapital financing activities	<u>(1,420)</u>	<u>4,155</u>	<u>2,735</u>
Cash flows from capital and related financing activities			
Grant revenue	-	-	-
Purchase of capital outlay	-	-	-
Interest expense	-	(21,240)	(21,240)
Loan repayments	-	(6,000)	(6,000)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(27,240)</u>	<u>(27,240)</u>
Cash flows from investing activities			
Investment income	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(7,193)	2,323	(4,870)
Cash and cash equivalents, beginning of year	11,825	45,609	57,434
Cash and cash equivalents, end of year	<u>\$ 4,632</u>	<u>\$ 47,932</u>	<u>\$ 52,564</u>
Shown on statement of net position as:			
Unrestricted cash and cash equivalents	\$ 4,632	\$ 23,991	\$ 28,623
Cash with paying agent	-	1	1
Restricted cash and cash equivalents	-	23,940	23,940
Total cash on statement of net position	<u>\$ 4,632</u>	<u>\$ 47,932</u>	<u>\$ 52,564</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FORM OPERATING ACTIVITIES			
Net operating Income	\$ (33,813)	\$ (87,723)	\$ (121,536)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	24,562	104,701	129,263
Change in assets and liabilities:			
Receivables	(924)	5,827	4,903
Prepaid expenses	-	-	-
Accounts payable	1,542	(1,680)	(138)
Accrued payroll expenses	-	-	-
Compensated absences	(30)	(241)	(271)
Due to/from other funds	(1,420)	3,933	2,513
Bond issuance cost	-	278	278
Customer Deposits	-	313	313
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ (5,773)</u>	<u>\$ 25,408</u>	<u>\$ 19,635</u>

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

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State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

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.

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*.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

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.

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, 2013 for the proprietary funds. The solid waste allowance was estimated at \$300 and the water and sewer allowance was estimated to be \$1,200. All other receivables were considered to be collectible.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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

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

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

At June 30, 2013 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.

Inventory of Supplies: There were no material amounts of inventory at June 30, 2013. 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.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements. GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net assets by the government that is applicable to a future reporting period.

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2013, along with applicable PERA, FICA, and Medicare payables.

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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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.

Net Position or Fund Equity:

Restricted fund balance represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government’s highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

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.

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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.

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, 2013

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, 2013.

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, 2013:

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

2. COMPLIANCE AND ACCOUNTABILITY (continued)

B. Interfund Balances (continued)

General Fund	<u>Due From</u>	<u>Due To</u>
206 EMS	\$ 349	
214 Lodger Tax		\$ 1,500
216 Municipal Street		4,818
219 Senior Citizens	6,960	
509 Ambulance	1,240	
510 Cemetery	578	
504 Landfill	18,395	
505 Water Utility	<u>5,088</u>	<u>-</u>
Total General Fund	<u>32,610</u>	<u>6,318</u>
 Special Revenue Funds		
206 EMS Fund		
101 General Fund		349
214 Lodgers Tax Fund		
101 General Fund	1,500	
216 Municipal Street Fund		
101 General Fund	4,818	
217 Recreation Fund	1,000	
505 Water Utility Fund	36,091	
217 Recreation Fund		
216 Municipal Street Fund		1,000
219 Senior Citizens Fund		
101 General Fund		6,960
300 Airport Fund		
505 Water Utility Fund	2,513	
509 Ambulance Fund		
101 General Fund		1,240
510 Cemetery Fund		
101 General Fund		<u>578</u>
Total Special Revenue Funds	<u>45,922</u>	<u>10,127</u>
 Proprietary Funds		
504 Solid Waste Fund		
101 General Fund		18,395
505 Water Utility Fund	1,420	
505 Water Utility Fund		
101 General Fund		5,088
216 Municipal Street Fund		36,091
300 Airport Fund		2,513
504 Solid Waste Fund		<u>1,420</u>
Total Proprietary Funds	<u>1,420</u>	<u>63,507</u>
Total All Funds	<u>\$79,952</u>	<u>\$79,952</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, 2013

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, 2013.

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, 2013 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.

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

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

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

At June 30, 2013, the carrying amount of the Town Of Vaughn's deposits at Wells Fargo totaled \$41,934 and the bank balances were \$45,744. The carrying amount at Everyone's Federal Credit Union totaled \$222,096 and the bank balances were \$233,646. The Town has \$14,002 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, 2013 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 2,448	\$ 2,685	
State shared taxes	25,977	2,364	
Customer utility accounts			\$ 41,936
Other		<u>12,441</u>	
Sub Total	28,425	17,490	41,936
Less: Allowance for doubtful accounts			<u>1,500</u>
Total	<u>\$ 28,425</u>	<u>\$ 17,490</u>	<u>\$ 40,436</u>

Except as noted, all amounts are considered collectable at June 30, 2013. Utility customer receivables are presented net of an allowance for doubtful accounts of \$1,500 as shown above.

5. **CAPITAL ASSETS**

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

Governmental activities	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
Capital assets not being depreciated:				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	<u>259,622</u>	<u>91,550</u>	<u>259,622</u>	<u>91,550</u>
Total	447,887	91,550	259,622	279,815
Capital assets being depreciated:				
Land improvements	4,924,228	262,881	-	5,187,109
Buildings	2,053,347	-	-	2,053,347
Machinery and equipment	267,871	-	-	267,871
Vehicles	<u>623,633</u>	<u>-</u>	<u>-</u>	<u>623,633</u>
Total	7,869,079	262,881	-	8,131,960

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

5. **CAPITAL ASSETS (continued)**

Governmental activities	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Less accumulated depreciation for:				
Land improvements	(476,678)	(96,550)	-	(573,228)
Buildings	(1,193,286)	(82,134)	-	(1,275,420)
Machinery and equipment	(195,412)	(37,437)	-	(232,849)
Vehicles	<u>(569,902)</u>	<u>(17,773)</u>	-	<u>(587,675)</u>
Total	<u>(2,435,278)</u>	<u>(233,894)</u>	-	<u>(2,669,172)</u>
 Total capital assets being depreciated, net	 <u>5,433,801</u>	 <u>28,987</u>	 <u>-</u>	 <u>5,462,788</u>
 Total Governmental activities, capital assets, net	 <u>\$5,881,688</u>	 <u>\$120,537</u>	 <u>\$ 259,622</u>	 <u>\$5,742,603</u>

The following is a summary of changes in the **Business-type Activities** capital assets during the fiscal year:

Business-type activities	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital assets not being depreciated:				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
Construction in progress	-	-	-	-
Total	<u>19,203</u>	<u>-</u>	<u>-</u>	<u>19,203</u>
 Capital assets being depreciated:				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery and equipment	<u>404,249</u>	<u>12,600</u>	-	<u>416,849</u>
Total	<u>4,785,746</u>	<u>12,600</u>	<u>-</u>	<u>4,798,346</u>
 Less accumulated depreciation for:				
Buildings	(14,290)	(1,366)	-	(15,656)
Underground lines	(1,411,258)	(86,947)	-	(1,498,205)
Machinery and equipment	<u>(224,548)</u>	<u>(40,950)</u>	-	<u>(265,498)</u>
Total	<u>(1,650,096)</u>	<u>(129,263)</u>	<u>-</u>	<u>(1,779,359)</u>
 Total capital assets being depreciated, net	 <u>3,135,650</u>	 <u>(116,663)</u>	 <u>-</u>	 <u>3,018,987</u>
 Total Business type activities, capital assets, net	 <u>\$3,154,853</u>	 <u>\$(116,663)</u>	 <u>\$ -</u>	 <u>\$3,038,190</u>

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

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, 2013:

	Balance <u>06/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/2013</u>	Current <u>Portion</u>
Note payable	\$ 472,000		\$ 6,000	\$ 466,000	\$ 7,000
Landfill closure costs	47,410	\$ 4,310	-	51,720	
Compensated absences	<u>10,284</u>	<u>5,821</u>	<u>6,092</u>	<u>10,013</u>	<u>10,013</u>
Total	<u>\$ 529,694</u>	<u>\$ 10,131</u>	<u>\$ 12,092</u>	<u>\$ 527,733</u>	<u>\$17,013</u>

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

Year Ended <u>06/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	7,000	20,970	\$ 27,970
2015	7,000	20,660	27,660
2016	7,000	20,340	27,340
2017	8,000	20,030	28,030
2018	8,000	19,670	27,670
2019-2029	<u>429,000</u>	<u>323,000</u>	<u>752,000</u>
Total	<u>\$466,000</u>	<u>\$424,670</u>	<u>\$890,670</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.

The total liabilities for closure and post closure costs of \$51,720 at June 30, 2013 represent the cumulative amount reported to date based upon approximately 25% 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.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

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

C. **Closure and Post Closure Landfill Costs (continued)**

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, 2013.

	Balance <u>06/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/2013</u>	Current <u>Portion</u>
Notes payable	\$ 95,675	\$ -	\$ 21,669	\$ 74,006	\$21,940
Accrued compensated absences	<u>18,054</u>	<u>23,586</u>	<u>22,880</u>	<u>18,760</u>	<u>5,444</u>
Total	<u>\$113,729</u>	<u>\$ 23,586</u>	<u>\$ 44,549</u>	<u>\$ 92,766</u>	<u>\$27,384</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 \$44,733 at June 30, 2013.

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 \$29,273 at June 30, 2013.

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>
2014	\$21,940	\$781	\$ 112	\$ 22,833
2015	22,224	534	75	22,833
2016	22,523	274	38	22,835
2017	<u>7,319</u>	<u>-</u>	<u>-</u>	<u>7,319</u>
Total	<u>\$ 74,006</u>	<u>\$ 1,589</u>	<u>\$ 225</u>	<u>\$ 75,820</u>

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

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	\$ 4,398	\$ 10,403	\$14,801
Seniors Fund	<u>1,046</u>	<u>2,913</u>	<u>3,959</u>
Total	<u>\$ 5,444</u>	<u>\$13,316</u>	<u>\$18,760</u>

9. **TAXES**

A. **Property Taxes**

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

Tax levies are authorized by statute to service payments due on general obligation bonds which have been authorized pursuant to state law, and for general operating purposes. However, at June 30, 2013, the Town had no general obligation bonds outstanding.

The Mill levy tax rates for the Town for 2013 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 \$53,704 for the fiscal year ended June 30, 2013.

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, 2013, the Town collected \$615 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

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

9. **TAXES (continued)**

C. **Motor Vehicle Registration Fees (continued)**

fees collected (10 percent distribution). In addition, an amount equal to 14.1 percent of the total fees collected are allocated between the various counties, towns, and incorporated municipalities within the county in the same proportion that the receipts from general property taxes, other than taxes for state purposes, receipts from general property taxes received by the county treasurer for the year in which such distribution is to be made, are so distributed in such county between said town and said incorporated municipalities within the county. In the counties wherein are located municipalities incorporated, organized and operating under special accounts, the allocation shall be in the proportion that the receipts from general property taxes in said municipalities bear to the total receipts from general property taxes other than taxes for state purposes received by the county treasurers and the collectors of said municipalities in the year in which said allocation is to be made. For the purpose of effecting an equitable allocation in counties wherein are located municipalities incorporated, organized and operating under special act, the local government division shall compute a hypothetical figure representing the municipality's proceeds from the property tax based on the figure arrived at by the county assessor as the evaluation of real property within the municipality, the assessment ratio used in that county and the highest mill levy approved by the local government division for any other municipality in the state (15 percent distribution).

The Town earned \$2,099 in motor vehicle registration fees for the year ended June 30, 2013.

D. **Gasoline Tax**

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

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

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

1. Reconstructing, resurfacing, maintaining, repairing, or otherwise improving existing alleys, streets, roads or bridges, or any combination of the foregoing, or laying, opening, constructing or otherwise acquiring new alleys, streets, roads or bridges, or any combination of the foregoing, provided that any of the foregoing improvements may include but are not limited to, the acquisition of rights of way

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

9. **TAXES (continued)**

D. **Gasoline Tax (continued)**

2. To provide matching funds for projects subject to cooperative agreements with the state highway and transportation department pursuant to Section 67-3-28 NMSA 1978, and
3. for expenses of purchasing, maintaining and operating transit operations and facilities for the operation of a transit authority established by the municipal transit law and for the operation of a vehicle emission inspection program. A municipality may engage in the business of the transportation of passengers and property within the political subdivision by whatever means the municipality may decide and may acquire -cars, trucks, motor buses and other equipment necessary for operating the business. A municipality may acquire land, erect buildings and equip the buildings with all the necessary machinery and facilities for the operation, maintenance, modification, repair and storage of the cars, trucks, motor buses and other equipment needed. A municipality may do all things necessary for the acquisition and the conduct of the business of public transportation.

During the fiscal year ended June 30, 2013, the Town earned \$34,916 in gasoline tax distributions.

E. **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, 2013, the Town earned taxes in the amount of \$82,970.

F. **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, 2013, the Town earned \$83,595 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 <http://www.pera.state.nm.us>.

State of New Mexico
TOWN OF VAUGHN
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 June 30, 2013

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

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, 2013, 2012 and 2011 were \$23,213, \$25,553 and \$32,593, respectively which equals the amount of the required contributions for each fiscal year.

11. **RETIREE HEALTH CARE ACT CONTRIBUTIONS**

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

12. **RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions, employee injuries and illnesses, and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool. The Town is also covered by insurance through the 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, 2013 fiscal year.

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 paid claims to Scottsdale Insurance in the amount of \$20,000, which is the amount of loss in excess of the coverage amounts.

12. **BUDGET AUTHORITY EXCEEDED**

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

	Overspent Amount
Airport Fund	\$ 2,184
Fire Protection Fund	56,276
Senior Citizens Fund	22,512
Wild Land Fund	2,980
Ambulance Fund	1,179
Cemetery Fund	410
Debt Service Fund	22,832
Water Fund	70,879

State of New Mexico
TOWN OF VAUGHN
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2013

13. SUBSEQUENT EVENTS REVIEW

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is July 7, 2014, which is the date on which the financial statements were dated.

14. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) issued Statement No. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Town is analyzing the effects that this pronouncement will have on their financial statements.

The GASB issued Statement No. 66, *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Town is analyzing the effects that this pronouncement will have on their financial statements.

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SUPPLEMENTARY INFORMATION

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State of New Mexico
TOWN OF VAUGHN
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

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.

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.

State of New Mexico
TOWN OF VAUGHN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	SPECIAL REVENUE FUNDS				
	Corrections	EMS	Fire	Law	Lodger's
	Fund	Fund	Fund	Enforcement Fund	Tax Fund
Assets					
Cash and investments	\$ 4,428	\$ 451	\$ 5,022	\$ (210)	\$ 120,911
Cash with paying agent	-	-	-	-	-
Taxes and accounts receivable	-	-	-	-	7,307
Due from other funds	-	-	-	-	1,500
Total assets	\$ 4,428	\$ 451	\$ 5,022	\$ (210)	\$ 129,718
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,169	\$ 711	\$ 2,210
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	349	-	-	-
Total liabilities	-	349	1,169	711	2,210
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted for:					
Special revenue funds	4,428	102	3,853	(921)	127,508
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Assigned for:					
Special revenue funds	-	-	-	-	-
Unassigned for:					
Special revenue funds	-	-	-	-	-
Total fund balance	4,428	102	3,853	(921)	127,508
Total liabilities and fund balance	\$ 4,428	\$ 451	\$ 5,022	\$ (210)	\$ 129,718

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

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-major Funds
\$ 9,715	\$ 4,985	\$ 13,731	\$ 8,543	\$ 5,047	\$ -	\$ 172,623
-	-	-	-	-	14,002	14,002
2,364	-	-	-	4,174	-	13,845
41,909	-	-	-	-	-	43,409
<u>\$ 53,988</u>	<u>\$ 4,985</u>	<u>\$ 13,731</u>	<u>\$ 8,543</u>	<u>\$ 9,221</u>	<u>\$ 14,002</u>	<u>\$ 243,879</u>
\$ 2,062	\$ -	\$ -	\$ -	\$ 1,122	\$ -	\$ 7,274
-	-	-	-	-	-	-
-	1,000	-	578	1,240	-	3,167
<u>2,062</u>	<u>1,000</u>	<u>-</u>	<u>578</u>	<u>2,362</u>	<u>-</u>	<u>10,441</u>
-	-	-	-	-	-	-
51,926	3,985	13,731	7,965	6,859	-	219,436
-	-	-	-	-	-	-
-	-	-	-	-	14,002	14,002
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>51,926</u>	<u>3,985</u>	<u>13,731</u>	<u>7,965</u>	<u>6,859</u>	<u>14,002</u>	<u>233,438</u>
<u>\$ 53,988</u>	<u>\$ 4,985</u>	<u>\$ 13,731</u>	<u>\$ 8,543</u>	<u>\$ 9,221</u>	<u>\$ 14,002</u>	<u>\$ 243,879</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, 2013

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund	Lodger's Tax Fund
Revenues:					
Taxes - other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	7,417	62,199	13,282	47,884
Grant revenue	-	-	-	-	-
Miscellaneous local sources	10	85	281	8	-
Total revenues	<u>10</u>	<u>7,502</u>	<u>62,480</u>	<u>13,290</u>	<u>47,884</u>
Expenditures:					
Current					
Public safety	-	-	55,564	9,236	-
Health and welfare	-	(622)	-	-	-
Culture and recreation	-	-	-	-	18,086
Public works	-	-	-	-	-
Non-Current					
Debt service principal	-	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>(622)</u>	<u>55,564</u>	<u>9,236</u>	<u>18,086</u>
Excess (deficiency) of revenues over (under) expenditures	10	8,124	6,916	4,054	29,798
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	-	215	-	-	5,000
Operating transfers out	-	(3,605)	(1,055)	(5,000)	-
Total other financing sources	<u>-</u>	<u>(3,390)</u>	<u>(1,055)</u>	<u>(5,000)</u>	<u>5,000</u>
Net changes in fund balances	10	4,734	5,861	(946)	34,798
Fund balance, beginning of year	<u>4,418</u>	<u>(4,632)</u>	<u>(2,008)</u>	<u>25</u>	<u>92,710</u>
Fund balance, end of year	<u>\$ 4,428</u>	<u>\$ 102</u>	<u>\$ 3,853</u>	<u>\$ (921)</u>	<u>\$ 127,508</u>

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

STATEMENT 2

SPECIAL REVENUE FUNDS

Street Fund	Recreation Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	\$ 34,095	\$ 22,830	\$ 56,925
34,833	11	-	-	-	-	165,626
-	-	-	-	-	-	-
-	-	406	339	25,784	51	26,964
<u>34,833</u>	<u>11</u>	<u>406</u>	<u>339</u>	<u>59,879</u>	<u>22,881</u>	<u>\$ 249,515</u>
-	-	4,050	-	-	-	68,850
-	-	-	-	53,393	-	52,771
-	3,895	-	410	-	-	22,391
35,478	-	-	-	-	-	35,478
-	-	-	-	-	21,669	21,669
-	-	-	-	-	1,163	1,163
-	-	-	-	-	-	-
<u>35,478</u>	<u>3,895</u>	<u>4,050</u>	<u>410</u>	<u>53,393</u>	<u>22,832</u>	<u>202,322</u>
(645)	(3,884)	(3,644)	(71)	6,486	49	47,193
-	-	-	-	-	-	-
7,870	-	1,704	-	3,605	-	18,394
(23,401)	-	-	-	(3,320)	(24)	(36,405)
<u>(15,531)</u>	<u>-</u>	<u>1,704</u>	<u>-</u>	<u>285</u>	<u>(24)</u>	<u>(18,011)</u>
(16,176)	(3,884)	(1,940)	(71)	6,771	25	29,182
<u>68,102</u>	<u>7,869</u>	<u>15,671</u>	<u>8,036</u>	<u>88</u>	<u>13,977</u>	<u>204,256</u>
<u>\$ 51,926</u>	<u>\$ 3,985</u>	<u>\$ 13,731</u>	<u>\$ 7,965</u>	<u>\$ 6,859</u>	<u>\$ 14,002</u>	<u>\$ 233,438</u>

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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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	-	-	10	10
Total revenue	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	-	-	-	-
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>10</u>	<u>(10)</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>10</u>	
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,418</u>	
Cash balances - end of year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$ 4,428</u></u>	
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 10	
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><u>\$ 10</u></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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ 7,417	\$ 2,417
Miscellaneous local sources	-	-	85	85
Total revenue	5,000	5,000	7,502	2,502
Expenditures:				
Public Safety:				
Current:				
Operating expenses	5,000	5,000	2,904	2,096
Non-current				
Capital outlay	-	-	-	-
Total expenditures	5,000	5,000	2,904	2,096
Excess (deficiency) of revenues over (under) expenditures	-	-	4,598	4,598
Other financing sources (uses):				
Operating transfers in	-	-	215	(215)
Operating transfers out	-	-	(3,605)	3,605
Total other financing sources (uses)	-	-	(3,390)	3,390
Net change in fund balances	-	-	1,208	-
Cash balances - beginning of year	-	-	(757)	
Cash balances - end of year	\$ -	\$ -	\$ 451	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,208	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			3,526	
Net change in fund balance (GAAP Basis)			\$ 4,734	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 57,311	\$ 57,311	\$ 62,199	\$ 4,888
Miscellaneous local sources	5,000	5,000	281	(4,719)
Total revenue	<u>62,311</u>	<u>62,311</u>	<u>62,480</u>	<u>169</u>
Expenditures:				
Public Works:				
Current:				
Operating expenses	-	-	56,276	(56,276)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>56,276</u>	<u>(56,276)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,311</u>	<u>62,311</u>	<u>6,204</u>	<u>(56,107)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,055)	1,055
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,055)</u>	<u>1,055</u>
Net change in fund balances	<u>62,311</u>	<u>62,311</u>	<u>5,149</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>(127)</u>	
Cash balances - end of year	<u>\$ 62,311</u>	<u>\$ 62,311</u>	<u>\$ 5,022</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 5,149	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>712</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 5,861</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 20,600	\$ 20,600	\$ 13,282	\$ (7,318)
Miscellaneous local sources	-	-	8	8
Total revenue	<u>20,600</u>	<u>20,600</u>	<u>13,290</u>	<u>(7,310)</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	20,600	20,600	8,525	12,075
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>20,600</u>	<u>20,600</u>	<u>8,525</u>	<u>12,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,765</u>	<u>4,765</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(5,000)	5,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>5,000</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(235)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>25</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (210)</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (235)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(711)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (946)</u>	

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

State of New Mexico
TOWN OF VAUGHN
Statement of Revenues and Expenditures
Budget and Actual (Non - GAAP Basis) - Lodgers Tax Fund - 214
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 40,000	\$ 40,000	\$ 43,514	\$ 3,514
Miscellaneous local sources	-	-	5,164	5,164
Total revenue	<u>40,000</u>	<u>40,000</u>	<u>48,678</u>	<u>8,678</u>
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	23,000	23,000	16,269	6,731
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>16,269</u>	<u>6,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,000</u>	<u>17,000</u>	<u>32,409</u>	<u>15,409</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	5,000	(5,000)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>(5,000)</u>
Net change in fund balances	<u>17,000</u>	<u>17,000</u>	<u>37,409</u>	<u>10,409</u>
Cash balances - beginning of year			<u>83,502</u>	
Cash balances - end of year	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 120,911</u>	<u>\$ 10,409</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 37,409	
Adjustment to revenues for accruals and other deferrals			(794)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,817)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 34,798</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 30,200	\$ 30,200	\$ 34,916	\$ 4,716
CDBG Grant	-	-	-	-
Miscellaneous local sources	-	-	-	-
Total revenue	<u>30,200</u>	<u>30,200</u>	<u>34,916</u>	<u>4,716</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	30,200	30,200	25,546	4,654
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>30,200</u>	<u>30,200</u>	<u>25,546</u>	<u>4,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>9,370</u>	<u>9,370</u>
Other financing sources (uses):				
Loan Payment	-	-	(7,870)	7,870
Operating transfers in	-	-	7,870	(7,870)
Operating transfers out	-	-	(23,401)	23,401
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(23,401)</u>	<u>23,401</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(14,031)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>23,746</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,715</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (14,031)	
Adjustment to revenues for accruals and other deferrals			(83)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(2,062)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (16,176)</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	9,193	9,193	11	(9,182)
Total revenue	<u>9,193</u>	<u>9,193</u>	<u>11</u>	<u>(9,182)</u>
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	4,000	4,000	3,895	105
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>3,895</u>	<u>105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,193</u>	<u>5,193</u>	<u>(3,884)</u>	<u>(9,077)</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>5,193</u>	<u>5,193</u>	<u>(3,884)</u>	<u>-</u>
Cash balances - beginning of year			<u>8,869</u>	
Cash balances - end of year	<u>\$ 5,193</u>	<u>\$ 5,193</u>	<u>\$ 4,985</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (3,884)	
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>\$ (3,884)</u>	

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

State of New Mexico
TOWN OF VAUGHN
Statement of Revenues and Expenditures
Budget and Actual (Non - GAAP Basis) - Wildland Fund - 299
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State Funding	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	<u>1,070</u>	<u>1,070</u>	<u>406</u>	<u>(664)</u>
Total revenue	<u>1,070</u>	<u>1,070</u>	<u>406</u>	<u>(664)</u>
Expenditures:				
Culture and recreation:				
Current:				
Operating expenses	1,070	1,070	4,050	(2,980)
Non-current				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,070</u>	<u>1,070</u>	<u>4,050</u>	<u>(2,980)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,644)</u>	<u>(3,644)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	1,704	(1,704)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,704</u>	<u>(1,704)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(1,940)</u>	<u>-</u>
Cash balances - beginning of year			<u>15,671</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,731</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,940)	
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>\$ (1,940)</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) - Cemetery Fund - 510
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous local sources	\$ 525	\$ 525	339	\$ (186)
Total revenue	<u>525</u>	<u>525</u>	<u>339</u>	<u>(186)</u>
Expenditures:				
Health and welfare:				
Current:				
Operating expenses	-	-	410	(410)
Total expenditures	<u>-</u>	<u>-</u>	<u>410</u>	<u>(410)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>525</u>	<u>525</u>	<u>(71)</u>	<u>(596)</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>525</u>	<u>525</u>	<u>(71)</u>	<u>-</u>
Cash balances - beginning of year			<u>8,614</u>	
Cash balances - end of year	<u>\$ 525</u>	<u>\$ 525</u>	<u>\$ 8,543</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (71)	
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>\$ (71)</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) - Ambulance Fund - 509
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 55,010	\$ 55,010	\$ 34,561	\$ (20,449)
Charges for Services	4,000	4,000	25,774	21,774
Miscellaneous local sources	-	-	10	10
Total revenue	<u>59,010</u>	<u>59,010</u>	<u>60,345</u>	<u>1,335</u>
Expenditures:				
Public Safety:				
Current:				
Personnel services	-	-	44,364	(44,364)
Operating expenses	55,010	55,010	11,825	43,185
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>55,010</u>	<u>55,010</u>	<u>56,189</u>	<u>(1,179)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,156</u>	<u>156</u>
Other financing sources (uses):				
Operating transfers in	-	-	3,605	(3,605)
Operating transfers out	-	-	(3,320)	3,320
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>285</u>	<u>(285)</u>
Net change in fund balances	<u>4,000</u>	<u>4,000</u>	<u>4,441</u>	<u>-</u>
Cash balances - beginning of year			<u>606</u>	
Cash balances - end of year	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 5,047</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,441	
Adjustment to revenues for accruals and other deferrals			(466)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>2,796</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 6,771</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) - Debt Service Fund - 402
For the Year Ended June 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Intergovernmental - State	\$ 49,452	\$ 49,452	\$ 22,881	\$ (26,571)
Total revenue	<u>49,452</u>	<u>49,452</u>	<u>22,881</u>	<u>(26,571)</u>
Expenditures:				
Non-current:				
Debt service:				
Principal payment	-	-	21,669	(21,669)
Interest payment	-	-	1,163	(1,163)
Agent fees	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>22,832</u>	<u>(22,832)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,452</u>	<u>49,452</u>	<u>49</u>	<u>(49,403)</u>
Other financing sources (uses):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(24)	24
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>24</u>
Net change in fund balances	<u>49,452</u>	<u>49,452</u>	<u>25</u>	<u>-</u>
Cash balances - beginning of year			<u>13,977</u>	
Cash balances - end of year	<u>\$ 49,452</u>	<u>\$ 49,452</u>	<u>\$ 14,002</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 25	
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>\$ 25</u>	

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

State of New Mexico
TOWN OF VAUGHN
Statement of Revenues, Expenditures - Budget (Non-GAAP Budgetary
Basis) and Actual (GAAP Basis) - Solid Waste Fund - 504
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 76,000	\$ 76,000	\$ 58,091	\$ (17,909)
Capital Outlay Grant	-	-	-	-
Total revenues	<u>76,000</u>	<u>76,000</u>	<u>58,091</u>	<u>(17,909)</u>
Expenses				
Current				
Operating expenses	76,000	76,000	63,864	12,136
Non-current				
Debt service	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenses	<u>76,000</u>	<u>76,000</u>	<u>63,864</u>	<u>12,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(5,773)</u>	<u>(5,773)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,420)	1,420
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,420)</u>	<u>1,420</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(7,193)</u>	<u>(4,353)</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>11,825</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ (4,353)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (7,193)	
Adjustment to revenues for accruals and other deferrals			924	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(28,964)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (35,233)</u>	

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) - Water & Sewer Fund - 505
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 249,972	\$ 249,972	\$ 309,228	\$ 59,256
Miscellaneous	-	-	9,791	9,791
Total revenues	<u>249,972</u>	<u>249,972</u>	<u>319,019</u>	<u>69,047</u>
Expenses				
Current				
Personnel services	-	-	69,905	(69,905)
Operating expenses	249,972	249,972	178,967	71,005
Fuel and power utilities	-	-	44,739	(44,739)
Non-current				
Debt service	-	-	6,000	(6,000)
Interest and fiscal charges	-	-	21,240	(21,240)
Capital outlay	-	-	-	-
Total expenses	<u>249,972</u>	<u>249,972</u>	<u>320,851</u>	<u>(70,879)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,832)</u>	<u>139,926</u>
Other financing sources (uses):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	12,025	(12,025)
Operating transfers out	-	-	(7,870)	7,870
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,155</u>	<u>(4,155)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>2,323</u>	<u>135,771</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>45,609</u>	
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,932</u>	<u>\$ 135,771</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,323	
Adjustment to revenues for accruals and other deferrals			(5,827)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(101,057)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (104,561)</u>	

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

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OTHER SUPPLEMENTARY INFORMATION

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF BANK DEPOSITORIES
June 30, 2013

Bank Name	Account Name	Account Type	Bank Balance	Outstanding Checks	Deposits in Transit	Book Balance
Wells Fargo Bank						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,428	\$ -		\$ 4,428
	Juvenile Recreation Fund	1	395	-		395
	Municipal Rd 10% Plate Fund	1	9,715	-		9,715
	General Fund	1	15,758	3,810	-	11,948
	Total		30,296	3,810	-	26,486
Business-type Activities						
	Water & Sewer Improvement	1	1	-		1
	Water & Sewer Improvement	1	8,139	-		8,139
	Water Department	3	7,308	-		7,308
	Total		15,448	-	-	15,448
	Total Wells Fargo Bank		\$ 45,744	\$ 3,810	\$ -	\$ 41,934
Everyone's Federal Credit Union						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commerical Dr	1	4,967	402	-	4,565
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Accou	1	5,140	4,714	-	426
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	4,997	-	-	4,997
	Fire Fund/Wildland Share Account	1	25	-	-	25
	Fire Fund/Wildland Commercial Draft Ac	1	14,696	990	-	13,706
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Acc	1	114	349	-	(235)
	Senior Citizens Fund Share Account	1	25	-	-	25
	Senior Citizens Commercial Draft Accou	1	2,276	1,165	-	1,111
	Ambulance Service Fund Share Account	1	25	-	-	25
	Ambulance Service Commercial Draft Ac	1	7,073	2,051	-	5,022
	Operation & Maintenance Fund Share Ac	1	25	-	-	25
	Operation & Maintenance Commercial D	1	17,706	1,879	-	15,827
	Landfill Operations Share Account	1	114	-	-	114
	Landfill Operations Commercial Draft Ac	1	4,518	-	-	4,518
	Cemetery Share Account	1	25	-	-	25
	Cemetery Commercial Draft Account	1	8,518	-	-	8,518
	Meter Fund Share Account	1	25	-	-	25
	Meter Fund Commerical Draft	1	16,607	-	-	16,607
	Lodgers Tax Fund Share Account	1	25	-	-	25
	Lodgers Tax Fund Commercial Draft Acc	1	120,886	-	-	120,886
	CDBG Account	1	25,759	-	-	25,759
	Total Everyone's Federal Credit Union		233,646	11,550	-	222,096
Bank of Albuquerque						
	Trust Service/Debt Service	4	\$ 13,925	\$ -	\$ -	\$ 13,925
	Total Bank of Albuquerque		\$ 13,925	\$ -	\$ -	\$ 13,925
New Mexico Finance Authority						
	State Treasurer D/S	4	76	-	-	76
	State Treasurer D/S	4	1	-	-	1
	Total New Mexico Finance Authority		\$ 77	\$ -	\$ -	\$ 77
Total all accounts			\$ 293,392	\$ 15,360	\$ -	\$ 278,032

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 16

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Year Ended June 30, 2013

I	Participants -	Town of Vaughn (Vaughn) and Guadalupe County (County)
	Responsible for operations -	Vaughn and County
	Description -	County is permitted disposal of solid waste at the Town's landfill.
	Beginning and ending dates -	June 22, 2004 until terminated.
	Total estimated cost -	Town will be compensated \$23.00 per ton of solid waste dumped.
	Town of Vaughn contributions -	Cubic yards at landfill.
	Audit responsibility -	Town of Vaughn and County
	Fiscal agent -	Town of Vaughn
	Agency reporting revenues and expenditures -	Town of Vaughn and County
II	Participants -	Town of Vaughn (Vaughn) and Estancia Valley Solid Waste Authority (EVSWA)
	Responsible for operations -	Town of Vaughn
	Description -	Solid waste management
	Beginning and ending dates -	July 2010 until terminated
	Total estimated cost -	Unknown
	Town of Vaughn contributions -	\$150,000 Caterpillar Compactor and current member rate tipping fees
	Audit responsibility -	Town of Vaughn
	Fiscal agent -	Town of Vaughn
	Agency reporting revenues and expenditures -	Town of Vaughn and EVSWA
III	Participants -	Town of Vaughn (Vaughn) and Vaughn Municipal Schools
	Responsible for operations -	Town of Vaughn
	Description -	Assist the School District with road equipment and operators and improvement projects
	Beginning and ending dates -	July 13, 2012 through June 30, 2013
	Total estimated cost -	Unknown
	Town of Vaughn contributions -	Road equipment and operators
	Audit responsibility -	Town of Vaughn
	Fiscal agent -	Town of Vaughn
	Agency reporting revenues and expenditures -	Town of Vaughn
IV	Participants -	Town of Vaughn (Vaughn) and North Central NM Economic Development District
	Responsible for operations -	Town of Vaughn
	Description -	Administer and provide meals to the elderly
	Beginning and ending dates -	July 1, 2012 through June 30, 2013
	Total estimated cost -	Unknown
	Town of Vaughn contributions -	Personnel and equipment
	Audit responsibility -	Town of Vaughn
	Fiscal agent -	Town of Vaughn
	Agency reporting revenues and expenditures -	Town of Vaughn

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

STATEMENT 17

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COMPLIANCE SECTION

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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**

Independent Auditor's Report

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

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Town of Vaughn (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued my report thereon dated July 7, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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, 2010-02, and 2011-03.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described as findings 2010-01, 2010-03, 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'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 Responses as items 2002-12, 2002-25, 2003-02, 2003-09, 2011-04, 2012-02 and 2012-03.

The Town of Vaughn's Response to Findings

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

Purpose of this Report

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

Calhoon Accounting & Tax Services

Calhoon Accounting & Tax Services
Estancia, New Mexico
July 7, 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, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified:	Yes
Significant deficiencies identified that are not considered to be material weaknesses:	Yes
Noncompliance material to financial statements noted:	Yes

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State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

FINANCIAL STATEMENT FINDINGS

Prior Year Findings

2002-12	Timeliness of Audit Report	Repeated
2002-25	Expenditures in Excess of Budget	Repeated, Revised
2003-02	Funds Omitted From DFA Quarterly Reports	Repeated
2003-09	Late Filing of Proposed Budget for Next Fiscal Year	Repeated
2007-01	Capital Assets	Repeated
2007-02	Trial Balance	Resolved
2008-10	Cash Controls and Monitoring	Resolved
2009-01	Cash Receipts Journals Missing	Resolved
2010-01	Missing Cancelled Checks	Repeated
2010-02	Missing 941 Reports	Repeated
2010-03	Accounts Receivable and Accounts Payable	Repeated
2011-01	Bank Reconciliations	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
2012-01	DFA Quarterly Reports Not Submitted	Resolved
2012-02	Deficit Cash in Special Revenue Funds	Repeated, Revised
2012-03	Purchase Order Violations	Repeated

Current Year Findings

No new findings.

State of New Mexico
TOWN OF VAUGHN
 SCHEDULE OF FINDINGS AND RESPONSES (continued)
 For the Year Ended June 30, 2013

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, 2013, the report is past due.

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

Effect: The audit was filed late.

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

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

2002-25 Expenditures In Excess of Budgets (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>
Airport Fund	409	\$ 92,625	94,809	2,184
Fire Fund	209	-0-	56,276	56,276
Senior Citizens Fund	219	50,858	73,370	22,512
Wild Land Fund	299	1,070	4,050	2,980
Ambulance Fund	509	55,010	56,189	1,179
Cemetery Fund	509	410	-0-	410
Debt Service Fund	402	-0-	22,832	22,832
Water Fund	505	249,972	320,851	70,879

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, 2013

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, 2013 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, 2013

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.

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.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2013

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.

Condition: The Town has not been submitting tax deposits or filing the quarterly 941 tax reports. The Town's tax liability amounts to \$53,421.84.

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.

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.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2013

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 \$3,210 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 \$80,850 of Airport Fund Expenditures. An amount of \$83,363 was deposited into the Municipal Streets Fund for Airport Fund expenditures from the Federal Aviation Administration.
- The Municipal Streets Fund expended \$7,870 to the Water Funds debt service account. The Water Fund reimbursed the Municipal Streets Fund for \$7,870.
- The General Fund expended \$12,600 for Solid Waste Fund equipment.

Cause: Expenditures are made when cash is not available from the appropriate fund. Other funds are used to pay for the purchases and then sometimes reimbursed later. 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.

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.

State of New Mexico
TOWN OF VAUGHN
SCHEDULE OF FINDINGS AND RESPONSES (continued)
For the Year Ended June 30, 2013

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 was a cash deficit balance within the Law Enforcement Fund (\$235) at the end of the fiscal year.

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: Twenty four out of forty paid invoices tested did not have an approved purchase order attached for a total amount of \$12,582.

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
OTHER DISCLOSURES
For the Year Ended June 30, 2013

AUDITOR PREPARED FINANCIAL STATEMENTS

The accompanying financial statements are the responsibility of the Town of Vaughn and are based on the information from the Town's financial records. Assistance was provided by Calhoon Accounting & Tax Services to the Town in preparing the financial statements.

EXIT CONFERENCE

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on July 7, 2014. The contents of the report were discussed with the following in attendance:

Town of Vaughn:

Roman Garcia, Mayor
Billy Lucero, Council Member
Carmen Sisneros-Langley, Clerk
Paula Foote, Assistant Clerk

Calhoon Accounting & Tax Services:

Renea L. Calhoon, CPA