

STATE OF NEW MEXICO

**TOWN OF VAUGHN**

Independent Auditors' Report and

Annual Financial Statements

June 30, 2014

State of New Mexico  
**TOWN OF VAUGHN**  
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June 30, 2014

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State of New Mexico  
**TOWN OF VAUGHN**  
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State of New Mexico  
**TOWN OF VAUGHN**  
OFFICEAL ROSTER  
June 30, 2014

**TOWN COUNCIL**

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

**TOWN ADMINISTRATION**

Carmen Sisneros-Langley	Clerk and Treasurer
Paula Foote	Assistant Clerk

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## **FINANCIAL SECTION**



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

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**INDEPENDENT AUDITOR'S REPORT**

Mr. Hector H. Balderas, State Auditor  
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 (the Town), as of and for the year ended June 30, 2014, 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 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, 2014, 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, 2014. 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, 2013 or the depreciation expense for the fiscal year ended June 30, 2014.

### **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 major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, 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, 2014, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for 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 Town of Vaughn's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 24, 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

November 24, 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 195,406	\$ 32,649	\$ 228,055
Cash with paying agent	14,065	1	14,066
Receivables, net	51,093	36,010	87,103
Interfund balances	162,116	-	162,116
Restricted assets:			
Meter deposits	-	24,248	24,248
Capital assets:			
Land and construction work in progress	188,265	19,203	207,468
Other capital assets	8,369,216	4,798,346	13,167,562
	<u>8,557,481</u>	<u>4,817,549</u>	<u>13,375,030</u>
Accumulated depreciation	(2,885,173)	(1,909,355)	(4,794,528)
Net capital assets	<u>5,672,308</u>	<u>2,908,194</u>	<u>8,580,502</u>
<b>Total assets</b>	<u>\$ 6,094,988</u>	<u>\$ 3,001,102</u>	<u>\$ 9,096,090</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 83,788	\$ 246,357	\$ 330,145
Compensated absences - current	7,194	9,540	16,734
Deposits held in trust for others	-	16,904	16,904
Due to other funds	94,494	67,622	162,116
Long-term liabilities:			
Due within one year	22,224	7,000	29,224
NMFA notes payable	29,842	452,000	481,842
Landfill closure costs	-	56,030	56,030
Compensated absences	11,169	-	11,169
<b>Total liabilities</b>	<u>248,711</u>	<u>855,453</u>	<u>1,104,164</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue-property taxes	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>			
Net investment in capital assets	5,620,242	2,449,194	8,069,436
Restricted for:			
Special revenue	271,902	-	271,902
Capital outlay	-	-	-
Debt service	14,065	-	14,065
Unrestricted for:			
General	(59,932)	(303,545)	(363,477)
<b>Total net position</b>	<u>5,846,277</u>	<u>2,145,649</u>	<u>7,991,926</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 6,094,988</u>	<u>\$ 3,001,102</u>	<u>\$ 9,096,090</u>

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, 2014

Functions/Programs	Expenses	Charges for Service
Primary Government:		
Government activities:		
General government	\$ 524,314	\$ 49,335
Public safety	176,401	629
Highways and streets	33,256	(10,126)
Health and welfare	78,696	33,702
Culture and recreation	147,232	73,120
Interest on long-term obligation	893	-
Total governmental activities	\$ 960,792	\$ 146,660
Business-type Activities:		
Solid Waste	\$ 69,128	\$ 53,549
Water and Sewer	390,200	279,844
Total business-type activities	\$ 459,328	\$ 333,393
Total Primary Government	\$ 1,420,120	\$ 480,053

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, 2014

	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
			Primary Government		
			Governmental Activities	Business-type Activities	Total
	\$ 101,203	\$ 165,929	\$ (207,847)	\$ -	\$ (207,847)
	68,783	-	(106,989)	-	(106,989)
	37,324	-	(6,058)	-	(6,058)
	-	-	(44,994)	-	(44,994)
	54,202	-	(19,910)	-	(19,910)
	-	-	(893)	-	(893)
	<u>\$ 261,512</u>	<u>\$ 165,929</u>	<u>\$ (386,691)</u>	<u>\$ -</u>	<u>\$ (386,691)</u>
	\$ -	\$ -	\$ -	\$ (15,579)	\$ (15,579)
	-	-	-	(110,356)	(110,356)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (125,935)</u>	<u>\$ (125,935)</u>
	<u>\$ 261,512</u>	<u>\$ 165,929</u>	\$ (386,691)	\$ (125,935)	\$ (512,626)
General Revenues:					
Taxes:					
			51,897	-	51,897
			263,532	-	263,532
			2,462	-	2,462
			110	11	121
			<u>318,001</u>	<u>11</u>	<u>318,012</u>
			<u>8,017</u>	<u>(8,017)</u>	<u>-</u>
		Change in net position	(60,673)	(133,941)	(194,614)
		Net position - beginning	5,906,950	2,288,481	8,195,431
		GASB 65 restatement	-	(8,891)	(8,891)
		Net position - ending	<u>\$ 5,846,277</u>	<u>\$ 2,145,649</u>	<u>\$ 7,991,926</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, 2014

	<b>General Fund</b>	<b>Lodgers Tax Fund</b>	<b>Airport Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental</b>
<b>Assets</b>					
Cash and investments	\$ 28,068	\$ 98,834	\$ (5,428)	\$ 73,932	\$ 195,406
Cash with paying agent	-	-	-	14,065	14,065
Tax and accounts receivable	33,148	4,815	-	13,130	51,093
Due from other funds	43,260	68,629	10,136	40,091	162,116
Total assets	<u>\$ 104,476</u>	<u>\$ 172,278</u>	<u>\$ 4,708</u>	<u>\$ 141,218</u>	<u>\$ 422,680</u>
<b>Liabilities</b>					
Accounts payable	\$ 3,571	\$ 393	\$ -	\$ 4,793	\$ 8,757
Accrued salaries & benefits	75,031	-	-	-	75,031
Accrued compensated absences	6,008	-	-	1,186	7,194
Due to other funds	68,629	-	10,538	15,327	94,494
Total liabilities	<u>153,239</u>	<u>393</u>	<u>10,538</u>	<u>21,306</u>	<u>185,476</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property tax	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>					
Restricted for:					
General fund	-	-	-	-	-
Special revenue funds	-	171,885	-	107,267	279,152
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	14,065	14,065
Assigned for:					
General fund	-	-	-	-	-
Special revenue fund	-	-	-	-	-
Unassigned for:					
Special revenue fund	-	-	(5,830)	(1,420)	(7,250)
General fund	(48,763)	-	-	-	(48,763)
Total fund balance	<u>(48,763)</u>	<u>171,885</u>	<u>(5,830)</u>	<u>119,912</u>	<u>237,204</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 104,476</u>	<u>\$ 172,278</u>	<u>\$ 4,708</u>	<u>\$ 141,218</u>	<u>\$ 422,680</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, 2014

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

Total Fund balances - Governmental Funds		\$ 237,204
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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:	\$ 8,557,481		
Accumulated depreciation is	<u>(2,885,173)</u>	5,672,308	

Other liabilities are not due and payable in the current period and therefore are not reported in the funds - accrued interest payable.

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	(52,066)		
Accrued compensated absences - non current	<u>(11,169)</u>	<u>(63,235)</u>	

Total net position-governmental activities		<u><u>\$ 5,846,277</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, 2014

	General Fund	Lodgers Tax Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 225,115	\$ -	\$ -	\$ 58,853	\$ 283,968
Intergovernmental - State	102,917	113,785	11,656	164,152	392,510
Licenses and permits	476	-	-	-	476
Charges for services	32,940	-	-	-	32,940
Fines and forfeits	12,886	-	-	-	12,886
Interest on Investments	-	-	-	-	-
Miscellaneous	12,517	-	-	35,839	48,356
Federal revenue	-	-	138,758	-	138,758
Total revenue	<u>386,851</u>	<u>113,785</u>	<u>150,414</u>	<u>258,844</u>	<u>909,894</u>
<b>Expenditures:</b>					
Current					
General government	301,371	-	-	-	301,371
Public safety	107,515	-	-	68,886	176,401
Highways and streets	-	-	-	-	-
Health and welfare	-	-	-	78,696	78,696
Culture and recreation	17,932	73,971	-	55,329	147,232
Public works	-	-	-	33,256	33,256
Other - miscellaneous	9,089	-	-	-	9,089
Noncurrent					
Debt service-principal	-	-	-	14,622	14,622
Debt service-Interest and fiscal charges	-	-	-	893	893
Capital outlay	-	-	156,244	-	156,244
Total expenditures	<u>435,907</u>	<u>73,971</u>	<u>156,244</u>	<u>251,682</u>	<u>917,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,056)</u>	<u>39,814</u>	<u>(5,830)</u>	<u>7,162</u>	<u>(7,910)</u>
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	44,275	17,491	-	42,645	104,411
Operating transfers out	(51,922)	(12,928)	-	(31,544)	(96,394)
Total other financing sources (uses)	<u>(7,647)</u>	<u>4,563</u>	<u>-</u>	<u>11,101</u>	<u>8,017</u>
Net change in fund balances	(56,703)	44,377	(5,830)	18,263	107
Fund balances - beginning of year	<u>7,940</u>	<u>127,508</u>	<u>-</u>	<u>101,649</u>	<u>237,097</u>
Fund balances - end of year	<u>\$ (48,763)</u>	<u>\$ 171,885</u>	<u>\$ (5,830)</u>	<u>\$ 119,912</u>	<u>\$ 237,204</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, 2014

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

Total net change in fund balances - governmental funds	\$	107
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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	\$	(216,001)	
Capital outlays		<u>156,244</u>	(59,757)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Property tax			(14,572)
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In the Statement of Activities, certain operating expenses are measured by the amounts incurred during the year. However, in the fund financial statements, expenditures are measured by the amount of financial resources used or available for use (essentially the amounts actually paid). The (increase) decrease in the assets and liabilities for the year were:

Increase in compensated absences payable non current			(1,073)
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Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Notes principal payments			<u>14,622</u>
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Total changes in net position-governmental activities			<u><u>\$ (60,673)</u></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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 145,567	\$ 145,567	\$ 226,829	\$ 81,262
Intergovernmental - State	130,606	130,606	101,203	(29,403)
License and fees	678	678	476	(202)
Charges for Services	-	-	2,995	2,995
Fines and forfeits	30,346	30,346	12,886	(17,460)
Miscellaneous	192,256	192,256	12,517	(179,739)
Total Revenues	<u>499,453</u>	<u>499,453</u>	<u>356,906</u>	<u>(142,547)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	326,408	326,408	226,875	99,533
Public safety	121,548	121,548	107,515	14,033
Highways and streets	-	-	-	-
Culture and recreation	9,397	9,397	17,932	(8,535)
Other - Miscellaneous	-	-	9,089	(9,089)
<b>Non-current</b>				
Capital outlay	-	-	-	-
Debt service principle	-	-	-	-
Debt service interest	-	-	-	-
Total expenditures	<u>457,353</u>	<u>457,353</u>	<u>361,411</u>	<u>95,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,100</u>	<u>42,100</u>	<u>(4,505)</u>	<u>(238,489)</u>
<b>Other financing sources (uses):</b>				
Transfers in (out)	-	-	(7,647)	7,647
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,647)</u>	<u>7,647</u>
Net change in fund balances	<u>42,100</u>	<u>42,100</u>	<u>(12,152)</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>40,220</u>	<u>-</u>
Cash balances - end of year	<u>\$ 42,100</u>	<u>\$ 42,100</u>	<u>\$ 28,068</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (12,152)	
Adjustment to revenues for accruals and other deferrals			29,945	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(74,496)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (56,703)</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) - Lodgers Tax Fund - 214  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 50,413	\$ 50,413	\$ 48,978	\$ (1,435)
Miscellaneous local sources	-	-	170	170
Total revenue	<u>50,413</u>	<u>50,413</u>	<u>49,148</u>	<u>(1,265)</u>
Expenditures:				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	45,000	79,302	75,788	3,514
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>45,000</u>	<u>79,302</u>	<u>75,788</u>	<u>3,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,413</u>	<u>(28,889)</u>	<u>(26,640)</u>	<u>2,249</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	17,491	(17,491)
Operating transfers out	-	-	(12,928)	12,928
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,563</u>	<u>(4,563)</u>
Net change in fund balances	<u>5,413</u>	<u>(28,889)</u>	<u>(22,077)</u>	<u>(2,314)</u>
Cash balances - beginning of year			<u>120,911</u>	
Cash balances - end of year	<u>\$ 5,413</u>	<u>\$ (28,889)</u>	<u>\$ 98,834</u>	<u>\$ (2,314)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (22,077)	
Adjustment to revenues for accruals and other deferrals			64,637	
Adjustment to expenditures for payables, prepaids and other accruals			<u>1,817</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 44,377</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State grant revenue	\$ 9,000	\$ 9,000	\$ 11,656	\$ 2,656
Federal grant revenue	141,000	141,000	131,135	(9,865)
Total revenue	141,000	141,000	142,791	(9,865)
Expenditures:				
Non-current:				
Capital assets:				
Capital outlay	92,625	92,625	145,706	(53,081)
Total expenditures	92,625	92,625	145,706	(53,081)
Excess (deficiency) of revenues over (under) expenditures	48,375	48,375	(2,915)	(62,946)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	48,375	48,375	(2,915)	-
Cash balances - beginning of year			(2,513)	
Cash balances - end of year	\$ 48,375	\$ 48,375	\$ (5,428)	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (2,915)	
Adjustment to revenues for accruals and other deferrals			7,623	
Adjustment to expenditures for payables, prepaids and other accruals			(10,538)	
Net change in fund balance (GAAP Basis)			\$ (5,830)	

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, 2014

	Solid Waste	Water and Sewer	Total
<b>Assets</b>			
Current assets, unrestricted:			
Cash, cash equivalents and investments	\$ 14,063	\$ 18,586	\$ 32,649
Cash with paying agent	-	1	1
Customer accounts receivable, net of allowance for doubtful accounts	7,202	28,808	36,010
Total current unrestricted assets	21,265	47,395	68,660
Current assets, restricted:			
Cash, cash equivalents and investments			
Meter deposits	-	24,248	24,248
Total restricted assets	-	24,248	24,248
Total current assets	21,265	71,643	92,908
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	(164,167)	(1,745,188)	(1,909,355)
Net capital assets	92,303	2,815,891	2,908,194
Total assets	\$ 113,568	\$ 2,887,534	\$ 3,001,102
<b>Liabilities and Equity</b>			
Current liabilities, payable from unrestricted assets:			
Accounts Payables	214,100	13,319	227,419
Accrued interest	-	18,938	18,938
Current portion of long-term debt	-	7,000	7,000
Compensated absences	-	9,540	9,540
Due to other funds	18,395	49,227	67,622
Total current liabilities payable from unrestricted assets	232,495	98,024	330,519
Current liabilities, payable from restricted assets:			
Customer deposits	-	16,904	16,904
Total liabilities payable from restricted assets	-	16,904	16,904
Total current liabilities	232,495	114,928	347,423
Long-term liabilities			
NMFA note payable	-	452,000	452,000
Landfill closure costs	56,030	-	56,030
Total long-term liabilities	56,030	452,000	508,030
Total liabilities	\$ 288,525	\$ 566,928	\$ 855,453
Net Position:			
Net investment in capital assets	\$ 92,303	\$ 2,356,891	\$ 2,449,194
Unrestricted net assets	(267,260)	(36,285)	(303,545)
Total net position	\$ (174,957)	\$ 2,320,606	\$ 2,145,649

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, 2014

	Solid Waste	Water and Sewer	Total Governmental Funds
Operating revenues:			
Sales and service	\$ 49,299	\$ 270,885	\$ 320,184
Other	4,250	68	4,318
Total operating revenue	<u>53,549</u>	<u>270,953</u>	<u>324,502</u>
Operating expenses:			
Personnel services	12,469	86,130	98,599
Operating expenses	31,362	162,172	193,534
Fuel and power/utilities	-	16,514	16,514
Depreciation	25,297	104,699	129,996
Total operating expenses	<u>69,128</u>	<u>369,515</u>	<u>438,643</u>
Operating income (loss)	<u>(15,579)</u>	<u>(98,562)</u>	<u>(114,141)</u>
Non-operating income (expenses):			
Grant revenue for capital outlay	-	-	-
Interest income (expense)	11	(20,685)	(20,674)
Total non-operating income (expenses)	<u>11</u>	<u>(20,685)</u>	<u>(20,674)</u>
Income (loss) before contributions and transfers	<u>(15,568)</u>	<u>(119,247)</u>	<u>(134,815)</u>
Transfers in (out)	<u>(1,547)</u>	<u>(6,470)</u>	<u>(8,017)</u>
Total transfers	(1,547)	(6,470)	(8,017)
Change in net position	(17,115)	(125,717)	(142,832)
Net position, beginning of year	(157,842)	2,446,323	2,288,481
Net position, end of year	<u>\$ (174,957)</u>	<u>\$ 2,320,606</u>	<u>\$ 2,145,649</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, 2014

	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Total Governmental Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 55,854	\$ 274,494	\$ 330,348
Cash paid to and on behalf of employees	(13,570)	(85,502)	(99,072)
Cash paid to vendors for goods and services	(31,317)	(159,649)	(190,966)
Net cash flow from operating activities	<u>10,967</u>	<u>29,343</u>	<u>40,310</u>
<b>Cash flows used for noncapital financing activities</b>			
Operating transfers received (paid)	(1,547)	(6,470)	(8,017)
Net cash flow from noncapital financing activities	<u>(1,547)</u>	<u>(6,470)</u>	<u>(8,017)</u>
<b>Cash flows from capital and related financing activities</b>			
Interest income (expense)	11	(20,970)	(20,959)
Loan repayments	-	(7,000)	(7,000)
Net cash flows from capital and related financing activities	<u>11</u>	<u>(27,970)</u>	<u>(27,959)</u>
<b>Cash flows from investing activities</b>			
Investment income	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	9,431	(5,097)	4,334
Cash and cash equivalents, beginning of year	4,632	47,932	57,434
Cash and cash equivalents, end of year	<u>\$ 14,063</u>	<u>\$ 42,835</u>	<u>\$ 56,898</u>
Shown on statement of net position as:			
Unrestricted cash and cash equivalents	\$ 14,063	\$ 18,586	\$ 32,649
Cash with paying agent	-	1	1
Restricted cash and cash equivalents	-	24,248	24,248
Total cash on statement of net position	<u>\$ 14,063</u>	<u>\$ 42,835</u>	<u>\$ 56,898</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net operating Income	\$ (15,579)	\$ (98,562)	\$ (114,141)
Adjustments to reconcile net operating income to net cash flows from operating activities:			
Depreciation and amortization	25,297	104,699	129,996
Change in assets and liabilities:			
Receivables	885	3,541	4,426
Prepaid expenses	-	-	-
Accounts payable	(4,265)	5,734	1,469
Accrued payroll expenses	-	-	-
Compensated absences	(1,101)	628	(473)
Due to/from other funds	1,420	4,115	5,535
Bond issuance cost	-	8,891	8,891
Customer Deposits	-	297	297
Landfill closure costs	4,310	-	4,310
Total reconciliation	<u>\$ 10,967</u>	<u>\$ 29,343</u>	<u>\$ 40,310</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, 2014

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State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 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 Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement no. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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

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. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, license and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds. The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the General Fund, Lodgers Tax Fund, and the Airport Improvement Fund. No other funds were required to be presented as major.

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 *Lodgers Tax Fund* is used to account for lodger's tax collections. The tax is to be used for cultural and recreational activities. Funding is authorized by NMSA 3-38-14.

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

The Town reports its proprietary funds as major business-type 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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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

Program revenues reduce the cost of the function to be financed from the Town's general revenues. Amounts reported as 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 operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services for the Town's various utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**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:*** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10<sup>th</sup> and April 10<sup>th</sup>. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the County may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

A provision for uncollectible accounts was maintained at June 30, 2014 for the proprietary funds. The solid waste allowance was estimated at \$300 and the water and sewer allowance was estimated to be \$1,200. All other receivables were considered to be collectible.

***Interfund Receivables and Payables:*** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute 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/expenses in the fund that is reimbursed.

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

***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, 2014. 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:*** 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, 2014

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

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

Capital assets of the primary government are depreciated 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

***Unearned 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 unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

***Deferred Inflow/Outflows of Resources:*** GASB 63 amended previous guidance on unearned 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, 2014, along with applicable PERA, FICA, and Medicare payables.

***Compensated Absences:*** The Town's policies regarding the vacation leave, 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.

***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.

***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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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

*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.

*Net investment in capital assets*, net of related debt consists of net position 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 these assets.

***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.

***Tax Revenues:*** The Town receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1<sup>st</sup> of each year and are payable in two equal installments, on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Town recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Town records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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, 2014.

**NOTE 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, 2014.

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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

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

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, 2014 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.

At June 30, 2014, the carrying amount of the Town Of Vaughn's deposits at Wells Fargo totaled \$78,822 and the bank balances were \$82,300. The carrying amount at Everyone's Federal Credit Union totaled \$173,274 and the bank balances were \$185,253. The Town has \$14,065 at a paying agent. All accounts are carried at cost. All accounts are fully insured by the FDIC.

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2014

**NOTE 4 RECEIVABLES**

The receivables of the Town of Vaughn, by fund type, at June 30, 2014 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Locally assessed taxes	\$ 4,398		
State shared taxes	26,682	\$ 3,839	
Customer utility accounts			\$ 37,510
Other	<u>2,068</u>	<u>14,106</u>	<u>.</u>
Sub Total	33,148	17,945	37,510
Less: Allowance for doubtful accounts			<u>(1,500)</u>
Total	<u>\$ 33,148</u>	<u>\$ 17,945</u>	<u>\$ 36,010</u>

Except as noted, all amounts are considered collectable at June 30, 2014. Utility customer receivables are presented net of an allowance for doubtful accounts of \$1,500 as shown above.

**NOTE 5 ACCOUNTS PAYABLES**

Accounts payable as of June 30, 2014, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payable to suppliers	\$ 8,757	\$245,370
Payables to employees and others	<u>75,031</u>	<u>987</u>
Total	<u>\$83,788</u>	<u>\$246,357</u>

**NOTE 6 TRANSFERS AND DUE TO/DUE FROM**

**A. Transfers**

This schedule is reported on the government-wide basis of accounting due to the transfers of capital assets between governmental funds and business-type funds.

	<u>Transfers In</u>	<u>Transfers Out</u>
Ambulance Fund	\$ 3,654	\$ 811
EMS Fund	6,684	
Fire Protection Fund	5,000	5,419
General Fund	44,275	57,350
Lodgers' Tax Fund	17,491	12,928
Street Fund	25,390	22,340
Senior Citizens Fund		2,974
Airport Fund	5,428	
Solid Waste Fund		1,547
Water/Waste Water Fund	871	7,341
Wildland Fire Fund	<u>1,917</u>	<u>.</u>
Total	<u>\$110,710</u>	<u>\$110,710</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2014

**NOTE 6 TRANSFERS AND DUE TO/DUE FROM (continued)**

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

The following schedule details the net “due to” and “due from” made by the Town during the year ended as of June 30, 2014:

<b>General Fund</b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
206 EMS	\$ 5,549	
214 Lodger Tax		\$68,629
219 Senior Citizens	6,960	
300 Airport	10,538	
509 Ambulance	1,240	
510 Cemetery	578	
504 Landfill	<u>18,395</u>	<u>-</u>
Total General Fund	<u>43,260</u>	<u>68,629</u>
<b>Special Revenue Funds</b>	<b><u>Due From</u></b>	<b><u>Due To</u></b>
206 EMS		
101 General		\$ 5,549
214 Lodgers Tax		
101 General	\$ 68,629	
216 Municipal Street		
217 Recreation	1,000	
505 Water Utility	39,091	
217 Recreation		
216 Municipal Street		1,000
219 Senior Citizens		
101 General		6,960
300 Airport		
101 General		10,538
505 Water Utility	10,136	
509 Ambulance		
101 General		1,240
510 Cemetery Fund		
101 General Fund		<u>578</u>
Total Special Revenue Funds	<u>118,856</u>	<u>25,865</u>
<b>Proprietary Funds</b>		
504 Solid Waste		
101 General		18,395
505 Water Utility		
216 Municipal Street		39,091
300 Airport		<u>10,136</u>
Total Proprietary Funds	<u>-</u>	<u>63,507</u>
Total All Funds	<u>\$162,116</u>	<u>\$162,116</u>

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 7 CAPITAL ASSETS**

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

<b>Governmental activities</b>	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	188,265	-	-	188,265
Capital assets being depreciated:				
Land improvements	5,187,109	237,256	-	5,424,365
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	8,131,960	237,256	-	8,369,216
Less accumulated depreciation for:				
Land improvements	(573,228)	-	(100,938)	(674,166)
Buildings	(1,275,420)	-	(82,134)	(1,357,554)
Machinery and equipment	(232,849)	-	(18,974)	(251,823)
Vehicles	<u>(587,675)</u>	<u>-</u>	<u>(13,955)</u>	<u>(601,630)</u>
Total	<u>(2,669,172)</u>	<u>-</u>	<u>(216,001)</u>	<u>(2,885,173)</u>
Total capital assets being depreciated, net	<u>5,462,788</u>	<u>237,256</u>	<u>(216,001)</u>	<u>5,484,043</u>
Total Governmental activities, capital assets, net	<u>\$5,742,603</u>	<u>\$237,256</u>	<u>\$(307,551)</u>	<u>\$5,672,308</u>

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

<b>Business-type activities</b>	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	19,203	-	-	19,203
Capital assets being depreciated:				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery and equipment	<u>416,849</u>	<u>-</u>	<u>-</u>	<u>416,849</u>
Total	4,798,346	-	-	4,798,346
Less accumulated depreciation for:				
Buildings	(15,656)	-	(1,366)	(17,022)
Underground lines	(1,498,205)	-	(86,947)	(1,585,152)
Machinery and equipment	<u>(265,498)</u>	<u>-</u>	<u>(41,683)</u>	<u>(307,181)</u>
Total	<u>(1,779,359)</u>	<u>-</u>	<u>(129,996)</u>	<u>(1,909,355)</u>
Total capital assets being depreciated, net	<u>3,018,987</u>	<u>-</u>	<u>(129,996)</u>	<u>2,888,991</u>
Total Business type activities, capital assets, net	<u>\$3,038,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,038,190</u>

State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2014

**NOTE 8 LONG-TERM DEBT**

**A. Changes in Long-term debt**

The following is a schedule of changes in **Governmental Funds** long-term debt for the year ended June 30, 2014.

	Balance <u>06/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/2014</u>	Current <u>Portion</u>
Notes payable	\$ 74,006	\$ -	\$ 21,940	\$ 52,006	\$22,224
Accrued compensated absences	<u>18,761</u>	<u>19,871</u>	<u>20,269</u>	<u>18,363</u>	<u>7,194</u>
Total	<u>\$ 92,767</u>	<u>\$ 19,871</u>	<u>\$ 42,209</u>	<u>\$ 70,429</u>	<u>\$29,418</u>

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 \$30,111 at June 30, 2014.

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 \$21,955 at June 30, 2014.

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>
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>\$ 52,066</u>	<u>\$ 808</u>	<u>\$ 113</u>	<u>\$ 52,987</u>

The following is a schedule of the changes in **Proprietary Funds** long-term debt for the year ended June 30, 2014:

	Balance <u>06/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/2014</u>	Current <u>Portion</u>
Note payable	\$ 466,000		\$ 7,000	\$ 459,000	\$ 7,000
Landfill closure costs	51,720	\$ 4,310	-	56,030	
Compensated absences	<u>10,013</u>	<u>4,645</u>	<u>5,118</u>	<u>9,540</u>	<u>9,540</u>
Total	<u>\$ 527,733</u>	<u>\$ 8,955</u>	<u>\$12,118</u>	<u>\$ 524,570</u>	<u>\$16,540</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>
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	8,000	19,310	27,310
2020-2029	<u>421,000</u>	<u>303,690</u>	<u>724,690</u>
Total	<u>\$459,000</u>	<u>\$403,700</u>	<u>\$862,700</u>



State of New Mexico  
**TOWN OF VAUGHN**  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 June 30, 2014

**NOTE 8 LONG-TERM DEBT (continued)**

**B. 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:

<b>Governmental Funds:</b>	<u>Current Portion</u>	<u>Non-current Portion</u>	<u>Total</u>
General Fund	\$ 6,008	\$ 7,794	\$13,802
Seniors Fund	<u>1,186</u>	<u>3,375</u>	<u>4,561</u>
Total	<u>\$ 7,194</u>	<u>\$11,169</u>	<u>\$18,363</u>

**C. 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 \$56,030 at June 30, 2014 represent the cumulative amount reported to date based upon approximately 27% of the usable capacity of the landfill. The liability is based upon an estimate performed in March 2003. The estimated current year accrual of the future closure and post-closure care costs amounted to \$4,310. The actual cost of closure and post closure care may be higher, of course, due to inflation, or changes in technology.

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

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

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

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 9 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>.

*Funding Policy.* Plan members are required to contribute 8.5% of their gross salary. The Town of Vaughn is required to contribute 8.5% 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, 2014, 2013, and 2012 were \$26,715, \$23,213, and \$25,553, respectively which equals the amount of contributions for each fiscal year.

**NOTE 10 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.

**NOTE 11 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 \$54,769 to Insurance Services of New Mexico during the June 30, 2014 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.

**NOTE 12 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures as part of the Combining Statements – Overview of certain information concerning individual funds including:

Deficit fund balance in individual funds. Law Enforcement Fund (\$193)

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 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 <u>Amount</u>
Airport Fund	\$ 53,081
Municipal Street Fund	2,986
Wild Land Fund	506

**NOTE 14 MEMORANDUM OF UNDERSTANDING/JOINT POWERS AGREEMENTS**

*Participants:* Town of Vaughn (Town) and Estancia Valley Solid Waste Authority (EVSWA)

*Purpose:* The Town is permitted to dispose of solid waste at the EVSWA landfill.

*Responsible Party for Operations and Audit:* Town of Vaughn

*Term:* July 2010 until terminated

*Total Estimated Amount of Project and Actual Amount Contributed:* \$150,000 Caterpillar compactor and current member rate tipping fees

*Participants:* Town of Vaughn (Town) and Vaughn Municipal Schools (Schools)

*Purpose:* The Town is to assist the School with road equipment and operators and improvement projects

*Responsible Party for Operations and Audit:* Town of Vaughn

*Term:* July 1, 2013- June 30, 2014

*Total Estimated Amount of Project and Actual Amount Contributed:* The Town is to provide equipment and operators at an unknown cost

*Participants:* Town of Vaughn (Town) and Eastern Plains Council of Governments (EPCOG)

*Purpose:* The Town is to administer and provide meals to the elderly

*Responsible Party for Operations and Audit:* Town of Vaughn

*Term:* July 1, 2013 – June 30, 2014

*Total Estimated Amount of Project and Actual Amount Contributed:* The Town contributes personnel and equipment at an unknown cost

**NOTE 15 SUBSEQUENT EVENTS REVIEW**

The date to which events occurring after June 30, 2014, 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.

State of New Mexico  
**TOWN OF VAUGHN**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
June 30, 2014

**NOTE 16 SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS**

Statement No. 67, Financial reporting for Pension Plans. This statement also amends Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50 Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for the fiscal years beginning after June 15, 2013 with earlier application encouraged. The Town has reviewed the statement and has determined that this does not apply to the Town.

Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirements of GASBS 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASBS 50, Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirements of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The Town is reviewing the effects of the implementation of this statement.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The Town has reviewed the statement and has determined that this does not apply to the Town.

Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. This statement establishes accounting and financial reporting standards for financial guarantees that are non-exchange transactions extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The Town has reviewed the statement and has determined that his does not apply to the Town.

**NOTE 17 RESTATEMENT OF NET POSITION**

GASB 65 requires a restatement of bond issuance costs and related amortization to Net Position as it has been determined that such costs should be expensed in the year of acquisition.

Beginning Net Position-Proprietary Fund	\$2,288,481
Restatement for BASB 65	<u>(8,891)</u>
Beginning Net Position, restated	<u>\$2,279,590</u>

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**SUPPLEMENTARY INFORMATION**

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State of New Mexico  
**TOWN OF VAUGHN**  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2014

**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.

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

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

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

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

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

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

**NON-MAJOR DEBT SERVICE FUND**

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



State of New Mexico  
**TOWN OF VAUGHN**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law	
				Enforcement Fund	Street Fund
<b>Assets</b>					
Cash and investments	\$ 4,439	\$ 703	\$ 7,353	\$ (193)	\$ 16,128
Cash with paying agent	-	-	-	-	-
Taxes and accounts receivable	-	3,839	-	-	3,139
Due from other funds	-	-	-	-	40,091
Total assets	\$ 4,439	\$ 4,542	\$ 7,353	\$ (193)	\$ 59,358
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 335	\$ 220	\$ 2,132
Accrued compensated absences	-	-	-	-	-
Due to other funds	-	5,549	-	-	-
Total liabilities	-	5,549	335	220	2,132
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted for:					
Special revenue funds	4,439	-	7,018	-	57,226
Capital project funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Assigned for:					
Special revenue funds	-	-	-	-	-
Unassigned for:					
Special revenue funds	-	(1,007)	-	(413)	-
Total fund balance	4,439	(1,007)	7,018	(413)	57,226
Total liabilities and fund balance	\$ 4,439	\$ 4,542	\$ 7,353	\$ (193)	\$ 59,358

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

State of New Mexico  
**TOWN OF VAUGHN**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

Recreation Fund	Senior Citizens Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-major Funds
\$ 2,366	\$ 9,538	\$ 12,082	\$ 6,031	\$ 15,485	\$ -	\$ 73,932
-	-	-	-	-	14,065	14,065
-	3,216	-	-	2,936	-	13,130
-	-	-	-	-	-	40,091
<u>\$ 2,366</u>	<u>\$ 12,754</u>	<u>\$ 12,082</u>	<u>\$ 6,031</u>	<u>\$ 18,421</u>	<u>\$ 14,065</u>	<u>\$ 141,218</u>
\$ -	\$ 2,027	\$ -	\$ -	\$ 79	\$ -	\$ 4,793
-	1,186	-	-	-	-	1,186
<u>1,000</u>	<u>6,960</u>	<u>-</u>	<u>578</u>	<u>1,240</u>	<u>-</u>	<u>15,327</u>
<u>1,000</u>	<u>10,173</u>	<u>-</u>	<u>578</u>	<u>1,319</u>	<u>-</u>	<u>21,306</u>
-	-	-	-	-	-	-
1,366	2,581	12,082	5,453	17,102	-	107,267
-	-	-	-	-	-	-
-	-	-	-	-	14,065	14,065
-	-	-	-	-	-	-
-	-	-	-	-	-	(1,420)
<u>1,366</u>	<u>2,581</u>	<u>12,082</u>	<u>5,453</u>	<u>17,102</u>	<u>14,065</u>	<u>119,912</u>
<u>\$ 2,366</u>	<u>\$ 12,754</u>	<u>\$ 12,082</u>	<u>\$ 6,031</u>	<u>\$ 18,421</u>	<u>\$ 14,065</u>	<u>\$ 141,218</u>

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

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, 2014

	SPECIAL REVENUE FUNDS				
	Corrections Fund	EMS Fund	Fire Fund	Law Enforcement Fund	Street Fund
<b>Revenues:</b>					
Taxes - other	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - state	-	3,839	55,426	13,357	37,324
Grant revenue	-	-	-	-	-
Miscellaneous local sources	11	5	0	7	(1,818)
Total revenues	<u>11</u>	<u>3,844</u>	<u>55,426</u>	<u>13,364</u>	<u>35,506</u>
<b>Expenditures:</b>					
Current					
Public safety	-	-	51,842	12,856	-
Health and welfare	-	11,637	-	-	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	33,256
Non-Current					
Debt service principal	-	-	-	-	-
Debt service interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>11,637</u>	<u>51,842</u>	<u>12,856</u>	<u>33,256</u>
Excess (deficiency) of revenues over (under) expenditures	11	(7,793)	3,584	508	2,250
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Operating transfers in	-	6,684	5,000	-	25,390
Operating transfers out	-	-	(5,419)	-	(22,340)
Total other financing sources	<u>-</u>	<u>6,684</u>	<u>(419)</u>	<u>-</u>	<u>3,050</u>
Net changes in fund balances	11	(1,109)	3,165	508	5,300
Fund balance, beginning of year	<u>4,428</u>	<u>102</u>	<u>3,853</u>	<u>(921)</u>	<u>51,926</u>
Fund balance, end of year	<u>\$ 4,439</u>	<u>\$ (1,007)</u>	<u>\$ 7,018</u>	<u>\$ (413)</u>	<u>\$ 57,226</u>

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

STATEMENT 2

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, 2014

Recreation Fund	Senior Citizens Fund	Wildland Fund	Cemetery Fund	Ambulance Fund	Debt Service Fund	Total Non-Major Funds
\$ -	\$ -	\$ -	\$ -	43,338	\$ 15,515	\$ 58,853
4	54,202	-	-	-	-	164,152
-	-	-	-	-	-	-
-	5,522	622	306	31,121	63	35,839
4	59,724	622	306	74,459	15,578	\$ 258,844
-	-	4,188	-	-	-	68,886
-	-	-	-	67,059	-	78,696
2,623	49,888	-	2,818	-	-	55,329
-	-	-	-	-	-	33,256
-	-	-	-	-	14,622	14,622
-	-	-	-	-	893	893
-	-	-	-	-	-	-
2,623	49,888	4,188	2,818	67,059	15,515	251,682
(2,619)	9,836	(3,566)	(2,512)	7,400	63	7,162
-	-	-	-	-	-	-
-	-	1,917	-	3,654	-	42,645
-	(2,974)	-	-	(811)	-	(31,544)
-	(2,974)	1,917	-	2,843	-	11,101
(2,619)	6,862	(1,649)	(2,512)	10,243	63	18,263
3,985	(4,281)	13,731	7,965	6,859	14,002	101,649
\$ 1,366	\$ 2,581	\$ 12,082	\$ 5,453	\$ 17,102	\$ 14,065	\$ 119,912

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

STATEMENT 2 (continued)

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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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 62	\$ 62	\$ -	\$ (62)
Miscellaneous local sources	-	-	11	11
Total revenue	<u>62</u>	<u>62</u>	<u>11</u>	<u>(51)</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>11</u>	<u>(51)</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>11</u>	
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,428</u>	
Cash balances - end of year			<u>\$ 4,439</u>	
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 11	
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>\$ 11</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Miscellaneous local sources	9,644	9,644	5	(9,639)
Total revenue	<u>14,644</u>	<u>14,644</u>	<u>5</u>	<u>(14,639)</u>
Expenditures:				
Public Safety:				
Current:				
Operating expenses	9,644	9,644	6,437	3,207
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>9,644</u>	<u>9,644</u>	<u>6,437</u>	<u>3,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,000</u>	<u>5,000</u>	<u>(6,432)</u>	<u>(11,432)</u>
Other financing sources (uses):				
Operating transfers in	-	5,592	6,684	(1,092)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,592</u>	<u>6,684</u>	<u>(1,092)</u>
Net change in fund balances	<u>5,000</u>	<u>10,592</u>	<u>252</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>451</u>	
Cash balances - end of year	<u>\$ 5,000</u>	<u>\$ 10,592</u>	<u>\$ 703</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 252	
Adjustment to revenues for accruals and other deferrals			3,839	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(5,200)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (1,109)</u>	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Budgetary Basis) and Actual - Fire Protection Fund - 209  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental - State	\$ 77,719	\$ 77,719	\$ 55,426	\$ (22,293)
Miscellaneous local sources	-	-	0	-
Total revenue	<u>77,719</u>	<u>77,719</u>	<u>55,426</u>	<u>(22,293)</u>
Expenditures:				
Public Works:				
Current:				
Operating expenses	77,719	77,719	52,676	25,043
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>77,719</u>	<u>77,719</u>	<u>52,676</u>	<u>25,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,750</u>	<u>2,750</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	5,000	5,000	-
Operating transfers out	-	(419)	(5,419)	5,000
Total other financing sources (uses)	<u>-</u>	<u>4,581</u>	<u>(419)</u>	<u>5,000</u>
Net change in fund balances	<u>-</u>	<u>4,581</u>	<u>2,331</u>	<u>-</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>5,022</u>	<u>-</u>
Cash balances - end of year	<u>\$ -</u>	<u>\$ 4,581</u>	<u>\$ 7,353</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,331	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>834</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 3,165</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 20,000	\$ 20,000	\$ 13,357	\$ (6,643)
Miscellaneous local sources	-	-	7	7
Total revenue	20,000	20,000	13,364	(6,636)
Expenditures:				
Public Safety:				
Current:				
Operating expenses	20,000	20,000	13,347	6,653
Non-current				
Capital outlay	-	-	-	-
Total expenditures	20,000	20,000	13,347	6,653
Excess (deficiency) of revenues over (under) expenditures	-	-	17	17
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	17	-
Cash balances - beginning of year			(210)	
Cash balances - end of year	\$ -	\$ -	\$ (193)	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 17	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			491	
Net change in fund balance (GAAP Basis)			\$ 508	

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

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues, Expenditures and Changes In Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual - Street Fund - 216  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 39,760	\$ 39,760	\$ 36,549	\$ (3,211)
CDBG Grant	-	-	-	-
Miscellaneous local sources	-	-	-	-
Total revenue	39,760	39,760	36,549	(3,211)
Expenditures:				
Public Safety:				
Current:				
Operating expenses	30,200	30,200	33,186	(2,986)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	30,200	30,200	33,186	(2,986)
Excess (deficiency) of revenues over (under) expenditures	9,560	9,560	3,363	(6,197)
Other financing sources (uses):				
Loan Payment	-	-	-	-
Operating transfers in	-	9,200	25,390	(16,190)
Operating transfers out	-	(17,440)	(22,340)	4,900
Total other financing sources (uses)	-	(8,240)	3,050	(11,290)
Net change in fund balances	-	-	6,413	-
Cash balances - beginning of year	-	-	9,715	
Cash balances - end of year	\$ -	\$ -	\$ 16,128	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 6,413	
Adjustment to revenues for accruals and other deferrals			(1,043)	
Adjustment to expenditures for payables, prepaids and other accruals			(70)	
Net change in fund balance (GAAP Basis)			\$ 5,300	

The accompanying notes are an integral part of these financial statements.  
STATEMENT 7

State of New Mexico  
**TOWN OF VAUGHN**  
Statement of Revenues and Expenditures  
Budget and Actual (Non - GAAP Basis) - Senior Citizens Fund - 219  
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental - State	\$ 50,358	\$ 50,358	\$ 54,631	\$ 4,273
Federal Funding	18,000	18,000	-	(18,000)
Miscellaneous local sources	5,000	5,000	5,522	522
Total revenue	<u>73,358</u>	<u>73,358</u>	<u>60,153</u>	<u>(13,205)</u>
Expenditures:				
Culture and recreation:				
Current:				
Personal services	-	-	48,777	(48,777)
Operating expenses	50,858	50,858	0	50,858
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>50,858</u>	<u>50,858</u>	<u>48,777</u>	<u>2,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,500</u>	<u>22,500</u>	<u>11,376</u>	<u>(11,124)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	70	0	70
Operating transfers out	-	(6,631)	(2,974)	(3,657)
Total other financing sources (uses)	<u>-</u>	<u>(6,561)</u>	<u>(2,974)</u>	<u>(3,587)</u>
Net change in fund balances	<u>22,500</u>	<u>15,939</u>	<u>8,402</u>	<u>-</u>
Cash balances - beginning of year			<u>1,136</u>	
Cash balances - end of year	<u>\$ 22,500</u>	<u>\$ 15,939</u>	<u>\$ 9,538</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 8,402	
Adjustment to revenues for accruals and other deferrals			(429)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(1,111)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 6,862</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Intergovernmental - State	\$ 9,195	\$ 9,195	\$ -	\$ (9,195)
Miscellaneous local sources	-	-	4	4
Total revenue	9,195	9,195	4	(9,191)
<b>Expenditures:</b>				
Culture and recreation				
Current:				
Personnel services	-	-	-	-
Operating expenses	3,893	3,893	2,623	1,270
Non-current				
Capital outlay	-	-	-	-
Total expenditures	3,893	3,893	2,623	1,270
Excess (deficiency) of revenues over (under) expenditures	5,302	5,302	(2,619)	(7,921)
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	5,302	5,302	(2,619)	-
Cash balances - beginning of year			4,985	
Cash balances - end of year	\$ 5,302	\$ 5,302	\$ 2,366	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (2,619)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (2,619)	

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State Funding	\$ -	\$ -	\$ -	\$ -
Miscellaneous local sources	1,070	1,070	622	(448)
Total revenue	<u>1,070</u>	<u>1,070</u>	<u>622</u>	<u>(448)</u>
Expenditures:				
Culture and recreation:				
Current:				
Operating expenses	1,070	4,130	4,188	(58)
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>1,070</u>	<u>4,130</u>	<u>4,188</u>	<u>(58)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(3,060)</u>	<u>(3,566)</u>	<u>(506)</u>
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	1,917	1,917	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,917</u>	<u>1,917</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(1,143)</u>	<u>(1,649)</u>	<u>-</u>
Cash balances - beginning of year			13,731	
Cash balances - end of year	<u>\$ -</u>	<u>\$ (1,143)</u>	<u>\$ 12,082</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,649)	
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>\$ (1,649)</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 11	\$ 11
Miscellaneous local sources	2,500	2,500	295	(2,205)
Total revenue	2,500	2,500	306	(2,194)
Expenditures:				
Health and welfare:				
Current:				
Operating expenses	2,500	2,818	2,818	-
Total expenditures	2,500	2,818	2,818	-
Excess (deficiency) of revenues over (under) expenditures	-	(318)	(2,512)	(2,194)
Other financing sources (uses):				
Bond Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(318)	(2,512)	-
Cash balances - beginning of year			8,543	
Cash balances - end of year	\$ -	\$ (318)	\$ 6,031	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (2,512)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (2,512)	

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 44,576	\$ 44,576
Charges for Services	27,703	27,703	31,096	3,393
Miscellaneous local sources	32,297	51,637	25	(51,612)
Total revenue	<u>60,000</u>	<u>79,340</u>	<u>75,697</u>	<u>(3,643)</u>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Personnel services	-	-	37,615	(37,615)
Operating expenses	55,010	76,720	30,487	46,233
Non-current				
Capital outlay	-	-	-	-
Total expenditures	<u>55,010</u>	<u>76,720</u>	<u>68,102</u>	<u>8,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,990</u>	<u>2,620</u>	<u>7,595</u>	<u>4,975</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	3,654	(3,654)
Operating transfers out	-	-	(811)	811
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,843</u>	<u>(2,843)</u>
Net change in fund balances	<u>4,990</u>	<u>2,620</u>	<u>10,438</u>	<u>-</u>
Cash balances - beginning of year			<u>5,047</u>	
Cash balances - end of year	<u>\$ 4,990</u>	<u>\$ 2,620</u>	<u>\$ 15,485</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 10,438	
Adjustment to revenues for accruals and other deferrals			(1,238)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>1,043</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 10,243</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental - State	\$ 49,452	\$ 49,452	\$ 15,578	\$ (33,874)
Total revenue	<u>49,452</u>	<u>49,452</u>	<u>15,578</u>	<u>(33,874)</u>
Expenditures:				
Non-current:				
Debt service:				
Principal payment	-	54,705	14,622	40,083
Interest payment	-	-	893	(893)
Agent fees	-	-	-	-
Total expenditures	<u>-</u>	<u>54,705</u>	<u>15,515</u>	<u>39,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,452</u>	<u>(5,253)</u>	<u>63</u>	<u>5,316</u>
Other financing sources (uses):				
Loan Proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>49,452</u>	<u>(5,253)</u>	<u>63</u>	<u>-</u>
Cash balances - beginning of year			<u>14,002</u>	
Cash balances - end of year	<u>\$ 49,452</u>	<u>\$ (5,253)</u>	<u>\$ 14,065</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 63	
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>\$ 63</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 93,085	\$ 93,085	55,865	\$ (37,220)
Capital Outlay Grant	-	-	-	-
Total revenues	<u>93,085</u>	<u>93,085</u>	<u>55,865</u>	<u>(37,220)</u>
Expenses				
Current				
Operating expenses	83,600	83,600	44,887	38,713
Non-current				
Debt service	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenses	<u>83,600</u>	<u>83,600</u>	<u>44,887</u>	<u>38,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,485</u>	<u>9,485</u>	<u>10,978</u>	<u>1,493</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(1,547)	1,547
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,547)</u>	<u>1,547</u>
Net change in fund balances	<u>9,485</u>	<u>9,485</u>	<u>9,431</u>	<u>3,040</u>
Cash balances - beginning of year	<u>-</u>	<u>-</u>	<u>4,632</u>	
Cash balances - end of year	<u>\$ 9,485</u>	<u>\$ 9,485</u>	<u>\$ 14,063</u>	<u>\$ 3,040</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 9,431	
Adjustment to revenues for accruals and other deferrals			(2,305)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(24,241)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (17,115)</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, 2014

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues				
Charges for services	\$ 450,000	\$ 450,000	\$ 274,426	\$ (175,574)
Miscellaneous	16,613	16,613	68	(16,545)
Total revenues	466,613	466,613	274,494	(192,119)
Expenses				
Current				
Personnel services	-	-	85,502	(85,502)
Operating expenses	400,000	400,000	143,135	256,865
Fuel and power utilities	-	-	16,514	(16,514)
Non-current				
Debt service	-	-	7,000	(7,000)
Interest and fiscal charges	-	-	20,970	(20,970)
Capital outlay	-	-	-	-
Total expenses	400,000	400,000	273,121	126,879
Excess (deficiency) of revenues over (under) expenditures	66,613	66,613	1,373	(318,998)
Other financing sources (uses):				
Operating transfers in	-	-	871	(871)
Operating transfers out	-	-	(7,341)	7,341
Total other financing sources (uses)	-	-	(6,470)	6,470
Net change in fund balances	66,613	66,613	(5,097)	(312,528)
Cash balances - beginning of year	-	-	47,932	
Cash balances - end of year	\$ 66,613	\$ 66,613	\$ 42,835	\$ (312,528)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (5,097)	
Adjustment to revenues for accruals and other deferrals			(3,541)	
Adjustment to expenditures for payables, prepaids and other accruals			(117,079)	
Net change in fund balance (GAAP Basis)			\$ (125,717)	

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, 2014

Bank Name	Account Name	Account Type	Bank Balance	Outstanding Checks	Deposits in Transit	Book Balance
Wells Fargo Bank						
Governmental Activities:						
	Local Government Correctional	3	\$ 4,439	\$ -		\$ 4,439
	Juvenile Recreation Fund	1	395	-		395
	Municipal Rd 10% Plate Fund	1	16,128	-		16,128
	General Fund	1	26,118	3,478	-	22,640
	Total		47,080	3,478	-	43,602
Business-type Activities						
	Water & Sewer Improvement	1	1	-		1
	Water & Sewer Improvement	1	27,900	-		27,900
	Water Department	3	7,319	-		7,319
	Total		35,220	-	-	35,220
	Total Wells Fargo Bank		\$ 82,300	\$ 3,478	\$ -	\$ 78,822
Everyone's Federal Credit Union						
Governmental Activities:						
	Juvenile Recreation Fund Share Account	1	\$ 25	\$ -	\$ -	\$ 25
	Juvenile Recreation Fund Commerical Dra	1	1,946	-	-	1,946
	Health Services Share Account	1	25	-	-	25
	Health Services Commercial Draft Accour	1	678	-	-	678
	Fire Fund Share Account	1	25	-	-	25
	Fire Fund Commercial Draft Account	1	10,210	2,882	-	7,328
	Fire Fund/Wildland Share Account	1	25	-	-	25
	Fire Fund/Wildland Commercial Draft Acc	1	12,057	-	-	12,057
	Law Enforcement Fund Share Account	1	25	-	-	25
	Law Enforcement Commercial Draft Acco	1	2	220	-	(218)
	Senior Citizens Fund Share Account	1	25	-	-	25
	Senior Citizens Commercial Draft Account	1	9,513	-	-	9,513
	Ambulance Service Fund Share Account	1	25	-	-	25
	Ambulance Service Commercial Draft Acc	1	17,225	1,765	-	15,460
	Operation & Maintenance Fund Share Acc	1	25	-	-	25
	Operation & Maintenance Commercial Dr.	1	7,813	3,089	-	4,724
	Cemetery Share Account	1	25	-	-	25
	Cemetery Commercial Draft Account	1	5,971	-	35	6,006
	Meter Fund Share Account	1	25	-	-	25
	Meter Fund Commerical Draft	1	16,979	75	-	16,904
	Lodgers Tax Fund Share Account	1	25	-	-	25
	Lodgers Tax Fund Commercial Draft Acc	1	102,584	3,775	-	98,809
	Total Everyone's Federal Credit Union		185,253	11,806	35	173,482
Bank of Albuquerque						
	Trust Service/Debt Service	4	\$ 13,945	\$ -	\$ -	\$ 13,945
	Total Bank of Albuquerque		\$ 13,945	\$ -	\$ -	\$ 13,945
New Mexico Finance Authority						
	State Treasurere D/S	4	118	-	-	118
	State Treasurere D/S	4	2	-	-	2
	Total New Mexico Finance Authority		\$ 120	\$ -	\$ -	\$ 120
	Total all accounts		\$ 281,618	\$ 15,284	\$ 35	\$ 266,369

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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## **COMPLIANCE SECTION**



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

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

**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, 2014, 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 November 24, 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 2007-001, 2010-002, 2011-003 and 2014-002.

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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 2010-001 and 2010-003 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 2002-025, 2012-002, 2012-003, 2014-01 and 2014-002.

### **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  
November 24, 2014

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## **FINDINGS AND RESPONSES**

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State of New Mexico  
**TOWN OF VAUGHN**  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For the Year Ended June 30, 2014

**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2002-025 [2002-25] Expenditures In Excess of Budgets repeated and revised (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	300	\$92,625	\$145,706	53,081
Municipal Street Fund	216	30,200	33,186	2,986
Wild Land Fund	299	4,130	4,188	58

**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.

**2007-001 [2007-01] Capital Assets repeated (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.



State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2014

**2010-001 [2010-01] Missing Cancelled Checks repeated (Significant Deficiency)**

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

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

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

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

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

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

**2010-002 [2010-02] Missing 941 Tax Reports repeated (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.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2014

**2010-003 [2010-03] Accounts Receivable and Accounts Payable repeated (Significant Deficiency)**

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

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

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

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

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

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

**2011-003 [2011-03] Transactions Incorrectly Recorded repeated and revised (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 \$67,129 for various expenditures which should have been expended from the General Fund.
- The Water Fund expended \$123,512 for the Airport Fund and \$131,135 was deposited into the Water Fund for the Airport Fund.
- The General Fund expended \$10,538 in excess of reimbursements for the Airport Fund.

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2014

**2012-002 [2012-02] Deficit Cash in Special Revenue Funds repeated and revised (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 (\$218) 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.

**2012-003 [2012-03] Purchase Order Violations repeated and revised (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:** Eight out of forty paid invoices tested did not have an approved purchase order attached for a total amount of \$1,649.

**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.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2014

**2014-001 Travel and Per Diem (Non-Compliance)**

**Criteria:** In accordance with the Town's travel per diem and mileage policy; which is to follow the New Mexico Travel Per Diem and Mileage Act Sections 13-1-1 to 13-1-199, NMSA, 1978 and NMAC 2.42.2, they are not in compliance with the travel per diem and mileage calculations and advancements.

**Condition:** The Town made 100% advanced pay for six out of ten vouchers for different travel dates that did not include adequate supporting documentation of overnight travel and meal reimbursements. Meal reimbursements are not being calculated correctly. Seven out of eight vouchers tested were paid incorrectly resulting in an overpayment of \$150.00. Two out of ten payments had no supporting documentation as to dates, time, and purpose of travel reimbursement. The payments without supporting documentation totaled \$205.

**Cause:** The Town is not following procedures on travel reimbursements for meal reimbursements and overnight travel. There appears to be inconsistency over calculating and processing cash advances for travel per diem and mileage.

**Effect:** Town employees do not have a clear understanding of the travel per diem and mileage policy and procedures.

**Recommendation:** The Town administrative staff should train employees on travel and per diem policy and procedures. The Town should review and implement procedures to ensure all travel requests are accurate and complete.

**Management's response:** The Town will train all employees on the Travel Per Diem and Mileage Policy. The Town will implement procedures to ensure travel is reimbursed appropriately and adequate documentation is maintained.

**2014-002 Public Employees Retirement Act (Material Weakness and Non-Compliance)**

**Criteria:** In accordance with the Public Employees Retirement Act (PERA) Sections 10-11-1 to 10-11-141 NMSA 1978, 100% of payroll is to be reported to PERA. Payments to PERA are not being submitted and paid timely.

**Condition:** The Town has three full-time employees that were not contributing to PERA during the fiscal year and one employee that is not reporting all wages for PERA. Payments to PERA are being paid late.

**Cause:** The payroll administrator did not withhold PERA for three full-time employees. Payments to PERA are not being paid timely.

**Effect:** Underpayment to PERA of approximately \$10,854 for \$63,846 in wages.

**Recommendation:** The Town should withhold PERA from wages for all full-time employees unless membership is specifically excluded pursuant to Section 10-11-3(B) NMSA 1978. Closely monitor cash flow to ensure payments are made on a timely basis.

**Management's response:** The Town will ensure that they are in compliance with PERA regulations and verify that all employees that should be in PERA are processed and included per the policy and regulations.

State of New Mexico  
**TOWN OF VAUGHN**  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
For the Year Ended June 30, 2014

**Prior Year Findings**

2002-12 Timeliness of Audit Report (Non-Compliance) - Resolved  
2002-25 Expenditures in Excess of Budget (Non-Compliance) - Repeated, Revised  
2003-02 Funds Omitted From DFA Quarterly Reports (Non-Compliance) - Resolved  
2003-09 Late Filing of Proposed Budget for Next Fiscal Year (Non-Compliance) - Resolved  
2007-01 Capital Assets (Material Weakness) - Repeated  
2010-01 Missing Cancelled Checks (Significant Deficiency) - Repeated  
2010-02 Missing 941 Reports (Material Weakness) - Repeated, Revised  
2010-03 Accounts Receivable and Accounts Payable (Significant Deficiency) - Repeated  
2011-03 Transactions Incorrectly Recorded (Material Weakness) - Repeated, Revised  
2011-04 Department of Finance and Administration (DFA) Reports Do Not  
    Reconcile to the General Ledger (Significant Deficiency and Non-Compliance) - Resolved  
2012-02 Deficit Cash in Special Revenue Funds (Non-Compliance) - Repeated, Revised  
2012-03 Purchase Order Violations (Non-Compliance) - Repeated

Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.

State of New Mexico  
**TOWN OF VAUGHN**  
OTHER DISCLOSURES  
For the Year Ended June 30, 2014

**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 and the footnotes for inclusion in the annual audit.

**EXIT CONFERENCE**

An exit conference was held in the offices of the Town of Vaughn in Vaughn, New Mexico on November 24, 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