
STATE OF NEW MEXICO
TOWN OF VAUGHN
June 30, 2016

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2016
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

Introductory Section

STATE OF NEW MEXICO
TOWN OF VAUGHN

Official Roster
For the year ended June 30, 2016

Board of Trustees

Roman Garcia	Mayor
Billy Lucero	Trustee
Rudy Martinez	Trustee
A. F. Lalo Padilla	Trustee
Janice Ulibarri	Trustee

Administrative Officials

Carmen Langley	Clerk
----------------	-------

STATE OF NEW MEXICO
TOWN OF VAUGHN
Table of Contents
June 30, 2016

	Page
Introductory Section	i
Official Roster	ii
Table of Contents	iii-iv
Financial Section	1
Independent Auditor's Report	3-4
Basic Financial Statements	5
Government-wide Financial Statements	6
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	9
Balance Sheet - Governmental Funds	10
Reconciliation of Total Fund Balance from Balance Sheet Governmental Funds to the Total Net Position on the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Non - GAAP Budgetary Basis)	
General Fund - 101	14
Special Revenue Fund - Fire Protection Fund - 209	15
Special Revenue Fund - Municipal Street Fund - 216	16
Proprietary Funds - Statement of Net Position	17
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Net Position	18
Proprietary Funds - Statement of Cash Flows	19
Notes to Financial Statements	20-37
Required Supplementary Information	38
Schedule of Proportionate Share of the Net Pension Liability Public Employee Retirement Association (PERA) Pension Plan	39
	Schedule A-1

STATE OF NEW MEXICO
TOWN OF VAUGHN
Table of Contents
June 30, 2016

	Page
Schedule of Contributions	
Public Employee Retirement Association (PERA) Pension Plan	40
Notes to Required Supplementary Information	41
Supplementary Information Related to Non-Major Governmental Funds	42
Fund Descriptions	43
Nonmajor Governmental Funds - Combining Balance Sheet	44-45
Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46-47
Statement of Revenues, Expenditures, and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	
Special Revenue Funds	
Corrections Fund - 201	48
Emergency Medical Service Fund - 206	49
Law Enforcement Protection Fund - 211	50
Lodger's Tax Fund - 214	51
Recreation Fund - 217	52
Senior Citizens Fund - 219	53
Fire Fund / Wildland - 299	54
Cemetery Fund - 299.1	55
Ambulance Fund - 299.2	56
Airport Fund - 299.3	57
Debt Service Fund	
Debt Service Fund - 403	58
Enterprise Funds	
Water and Sewer Fund - 506	59
Solid Waste Fund - 504	60
Other Supplemental Information	61
Schedule of Bank Depositories	62
	Schedule I
Schedule of Vendor Information	63
Compliance Section	64
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditor's Report	65-66
Schedule of Findings and Responses	67-75

Financial Section

This Page Intentionally Blank

Independent Auditor's Report

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Town of Vaughn
Vaughn, New Mexico

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Vaughn (Town), as of and for the year ended June 30, 2016, 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 was also engaged to audit the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying Combining and Individual Fund Financial Statements and Schedules as of and for the year ended June 30, 2016, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinions

The Town did not maintain sufficient internal controls and/or adequate records of its cash, revenues/receivables, expenditures/expense/payables, payroll, and completeness of the underlying general ledger accounting. Accordingly, I was unable to perform procedures sufficient to achieve the audit objectives for these account balances and transaction classes.

Disclaimer of Opinions

As the Town did not maintain sufficient internal controls and/or adequate records I were unable to obtain sufficient evidential matter and I was not able to apply other auditing procedures to satisfy myself as to the fairness of the presentation of the financial statements in accordance with generally accepted accounting principles. The scope of my work was not sufficient to enable me to express, and I do not express an opinion on the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, I do not express an opinion on the respective financial position of each nonmajor governmental funds of the Town, as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major enterprise funds and all nonmajor governmental funds for the year then ended, in conformity 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 accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.


Other Information

I was engaged for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements, nonmajor governmental funds, and budgetary comparison information presented as supplementary information in the accompanying Combining and Individual Fund Financial Statements and Schedules. The additional schedules listed as Other Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described above, it is inappropriate to and I do not express an opinion on the supplementary information referenced to above.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 12, 2016, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.


Sandra Rush CPA PC
Clovis, New Mexico
December 12, 2016

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 996,992	\$ 66,666	\$ 1,063,658
Investments	-	398,986	398,986
Accounts receivable			
Taxes	45,948	-	45,948
Other	5,788	-	5,788
Sales	-	37,340	37,340
* Internal balances	93,085	84,242	
Total current assets	<u>1,141,813</u>	<u>587,234</u>	<u>1,729,047</u>
Noncurrent assets			
Restricted cash			1,729,047
Customer deposits	-	18,410	18,410
NMFA state treasurer	143	-	143
Capital assets	8,741,021	4,891,616	13,632,637
Less: accumulated depreciation	<u>(3,312,526)</u>	<u>(2,143,302)</u>	<u>(5,455,828)</u>
Total noncurrent assets	<u>5,428,638</u>	<u>2,766,724</u>	<u>8,195,362</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Contributions to pension subsequent to the measurement date	<u>14,399</u>	-	<u>14,399</u>
Total assets and deferred outflows of resources	<u>\$ 6,584,850</u>	<u>\$ 3,353,958</u>	<u>\$ 9,938,808</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 41,412	\$ 217,570	\$ 258,982
Compensated absences	16,072	4,302	20,374
Current portion of long-term debt	7,319	8,000	15,319
* Internal balances	<u>43,477</u>	<u>133,850</u>	
Total current liabilities	<u>108,280</u>	<u>363,722</u>	<u>472,002</u>
Non-current liabilities			
Customer meter deposits	-	16,978	16,978
Long-term portion notes payable	-	437,000	437,000
Net pension liability	151,918	-	151,918
Landfill closure costs	<u>-</u>	<u>64,650</u>	<u>64,650</u>
Total non-current liabilities	<u>151,918</u>	<u>518,628</u>	<u>670,546</u>
Total liabilities	<u>260,198</u>	<u>882,350</u>	<u>1,142,548</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Actuarial experience for net pension liability	3,365	-	3,365
Investment experience for net pension liability	481	-	481
Net change in pension assumption	<u>59</u>	<u>-</u>	<u>59</u>
Total deferred inflows of resources	<u>3,905</u>	<u>-</u>	<u>3,905</u>
<u>NET POSITION</u>			
Net investment in capital assets	5,421,176	2,303,314	7,724,490
Restricted			
Special revenue	618,627	-	618,627
Debt service	143	-	143
Unrestricted	<u>280,801</u>	<u>168,294</u>	<u>449,095</u>
Total net position	<u>6,320,747</u>	<u>2,471,608</u>	<u>8,792,355</u>
Total liabilities, deferred inflows of resources and net pension	<u>\$ 6,584,850</u>	<u>\$ 3,353,958</u>	<u>\$ 9,938,808</u>

* Amounts have been eliminated in total column

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Statement of Activities
For the year ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Executive	\$ 2,512	\$ -	\$ -	\$ -	\$ (2,512)	\$ -	\$ (2,512)
Legislative	913	-	-	-	(913)	-	(913)
Judicial	6,263	-	-	-	(6,263)	-	(6,263)
Finance / administration	531,951	2,872	310,731	-	(218,348)	-	(218,348)
Public safety	117,694	23,277	98,960	-	4,543	-	4,543
Public works	199,340	-	417,500	-	218,160	-	218,160
Culture and recreation	162,967	-	96,716	-	(66,251)	-	(66,251)
Grant expenditures	107,912	-	89,898	-	(18,014)	-	(18,014)
Change in / out flows	2,909	-	-	-	(2,909)	-	(2,909)
Interest	312	-	-	-	(312)	-	(312)
Depreciation - unclassified	220,911	-	-	-	(220,911)	-	(220,911)
Total governmental activities	1,353,684	26,149	1,013,805	-	(313,730)	-	(313,730)
Business-type activities:							
Water / sewer	445,208	252,457	448,500	-	-	255,749	255,749
Solid waste	44,499	49,421	-	-	-	4,922	4,922
Total business-type activities	489,707	301,878	448,500	-	-	260,671	260,671
Total governmental and business-type activities	\$ 1,843,391	\$ 328,027	\$ 1,462,305	\$ -	\$ (313,730)	\$ 260,671	\$ (53,059)

General Revenues:

Taxes:

Property	56,539	-	56,539
GRT equivalent distribution	1,105	-	1,105
GRT municipal	232,182	-	232,182
Gas	41,282	-	41,282
GRT interstate telecom	175	-	175
GRT infrastructure	6,818	-	6,818
GRT environmental	200	345	545
Licenses and permits	600	-	600
Motor vehicle fees	2,223	-	2,223
Interest income	121	489	610
Capital credits	2,169	39	2,208
Municipal court fees / citations	1,752	-	1,752
Small cities assistance	90,000	-	90,000

Total general revenues 435,166 873 436,039

Change in net position 121,436 261,544 382,980

Net position, beginning 6,198,826 2,210,064 8,408,890

Restatement 485 - 485

Net position, beginning restated 6,199,311 2,210,064 8,409,375

Net position, ending \$ 6,320,747 \$ 2,471,608 \$ 8,792,355

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

Fund Financial Statements

STATE OF NEW MEXICO
TOWN OF VAUGHN
Balance Sheet
Governmental Funds
June 30, 2016

	General 101	Fire Protection 209	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 412,723	\$ 81,054	\$ 268,675	\$ 234,540	\$ 996,992
Investments	-	-	-	-	-
Cash NMFA State Treasurer	-	-	-	143	143
Accounts receivable	-	-	-	-	-
Taxes	34,192	-	2,552	9,204	45,948
Grantor	-	-	-	5,788	5,788
Due from other funds	42,858	-	40,091	10,136	93,085
	<u>42,858</u>	<u>-</u>	<u>40,091</u>	<u>10,136</u>	<u>93,085</u>
Total assets	<u>\$ 489,773</u>	<u>\$ 81,054</u>	<u>\$ 311,318</u>	<u>\$ 259,811</u>	<u>\$ 1,141,956</u>
LIABILITIES					
Accounts payables	\$ 28,175	\$ 860	\$ -	\$ 12,377	\$ 41,412
Due to other funds	-	-	-	43,477	43,477
	<u>28,175</u>	<u>860</u>	<u>-</u>	<u>55,854</u>	<u>84,889</u>
Total liabilities	<u>28,175</u>	<u>860</u>	<u>-</u>	<u>55,854</u>	<u>84,889</u>
FUND BALANCE					
Restricted for					
Special revenue	-	80,194	311,318	227,115	618,627
Debt service	-	-	-	143	143
Unassigned					
General government fund	461,598	-	-	-	461,598
Special revenue	-	-	-	(23,301)	(23,301)
	<u>461,598</u>	<u>80,194</u>	<u>311,318</u>	<u>203,957</u>	<u>1,057,067</u>
Total fund balance	<u>461,598</u>	<u>80,194</u>	<u>311,318</u>	<u>203,957</u>	<u>1,057,067</u>
Total liabilities and fund balance	<u>\$ 489,773</u>	<u>\$ 81,054</u>	<u>\$ 311,318</u>	<u>\$ 259,811</u>	<u>\$ 1,141,956</u>

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Reconciliation of Total Fund Balance from Balance Sheet Governmental Funds to the
Total Net Position on the Statement of Net Position
For the year ended June 30, 2016

Amounts reported for governmental activities in the statement of net position
are different because:

Fund balance - total governmental funds		\$ 1,057,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Capital assets	\$ 8,741,021	
Accumulated depreciation	<u>(3,312,526)</u>	5,428,495
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reposted in the funds		
Deferred outflows of resources related to contributions to pensions subsequent to the measurement date		14,399
Deferred inflows of resources related to difference between expected and actual investment experience		(481)
Deferred inflows of resources related to difference between expected and actuarial experience		(3,365)
Deferred outflows of resources related to net change in pension assumption		(59)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds		
Accrued compensated absences		(16,072)
Net pension liability		(151,918)
Loans payable		<u>(7,319)</u>
Net position of governmental activities		<u>\$ 6,320,747</u>

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the year ended June 30, 2016

	General 101	Fire Protection 209	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
Revenue					
Property tax	\$ 56,539	\$ -	\$ -	\$ -	\$ 56,539
Gas tax	-	-	41,282	-	41,282
Gross receipts tax environment	-	-	-	200	200
Gross receipts tax municipal	184,057	-	-	48,125	232,182
Gross receipts tax equivalent distributor	1,105	-	-	-	1,105
Gross receipts tax interstate telecom	175	-	-	-	175
Gross receipts tax capital outlay	6,818	-	-	-	6,818
Lodger's tax	-	-	-	53,128	53,128
Motor vehicle fees	2,223	-	-	-	2,223
Capital credits	1,974	25	-	170	2,169
Interest	-	-	-	121	121
Licenses	600	-	-	-	600
Rents / royalties	800	-	-	-	800
Municipal court fines	1,752	-	-	-	1,752
Charges for services	2,072	-	-	23,277	25,349
Local grant	-	-	417,500	13,198	430,698
Gross receipts tax municipal state share	153,465	-	-	-	153,465
EMS grant	-	-	-	5,000	5,000
Fire allotment	-	73,960	-	-	73,960
LEPF grant	-	-	-	20,000	20,000
State grant	144,068	5,000	-	3,659	152,727
Small city assistance	90,000	-	-	-	90,000
Federal grant	-	-	-	124,827	124,827
Total revenues	645,648	78,985	458,782	291,705	1,475,120
Expenditures					
Current					
General government					
Executive	2,512	-	-	-	2,512
Legislative	913	-	-	-	913
Judicial	6,263	-	-	-	6,263
Finance	525,337	-	-	-	525,337
Public safety	5,362	30,187	-	82,145	117,694
Public works	10,861	-	188,479	-	199,340
Grant expenditures	-	-	-	107,912	107,912
Culture and recreation	9,796	-	-	152,150	161,946
Capital outlay	-	-	39,175	-	39,175
Debt service					
Principal	-	-	-	22,523	22,523
Interest	-	-	-	312	312
Total expenditures	561,044	30,187	227,654	365,042	1,183,927
Excess (deficiency) of revenues over expenditures	84,604	48,798	231,128	(73,337)	291,193
Other financing sources (uses)					
Operating transfers in (out)	-	(1,359)	-	1,359	-
Total other financing sources (uses)	-	(1,359)	-	1,359	-
Net change in fund balances	84,604	47,439	231,128	(71,978)	291,193
Fund balances, beginning	376,870	32,630	80,190	275,699	765,389
Prior period adjustment	124	125	-	236	485
Fund balances, beginning restated	376,994	32,755	80,190	275,935	765,874
Fund balances, ending	\$ 461,598	\$ 80,194	\$ 311,318	\$ 203,957	\$ 1,057,067

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

STATE OF NEW MEXICO

TOWN OF VAUGHN

Reconciliation of the Statement of Revenues, Expenditures, and Changes

in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds \$ 291,193

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized 39,175
Depreciation expense (220,911)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred outflows / inflows (2,909)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payment 22,523

Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

Compensated absences (7,635)

Change in Net Position of Governmental Activities \$ 121,436

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
General Fund - 101
Statement of Revenues, Expenditures, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 46,000	\$ 46,000	\$ 56,913	\$ 10,913
Gross receipts tax	85,000	221,847	221,847	-
Gross receipts tax interstate telecom	-	-	101	101
Gross receipts tax equivalent dist	1	-	1,555	1,555
Gross receipts tax capital outlay	-	5,435	5,435	-
Motor vehicle fees	1,652	1,652	2,045	393
Charges for services	500	500	2,072	1,572
Capital credits	-	-	1,974	1,974
Licenses and permits	700	700	600	(100)
Rents and royalties	800	1,612	800	(812)
Municipal court fees / citations	10,000	10,000	2,223	(7,777)
Miscellaneous	1,200	8,500	1,534	(6,966)
Gross receipts tax state shared	80,000	186,486	186,486	-
State grant	-	125,121	144,068	18,947
Small city assistance	90,000	90,000	90,000	-
Total revenue	315,853	697,853	717,653	19,800
Expenditures				
Current				
General government				
Executive	6,200	6,200	2,512	3,688
Legislative	1,000	1,000	913	87
Judicial	6,451	6,451	6,263	188
Finance / administration	181,830	556,830	555,853	977
Public safety	14,000	14,000	12,010	1,990
Public works	11,000	15,000	10,861	4,139
Culture and recreation	14,914	14,914	16,635	(1,721)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	235,395	614,395	605,047	9,348
Excess (deficiency) revenues over (under) expenditures	80,458	83,458	112,606	29,148
Other financing sources (uses)				
Operating transfers net	(92,916)	(92,916)	(68,629)	24,287
Designated cash	-	-	-	-
Total other financing sources (uses)	(92,916)	(92,916)	(68,629)	24,287
Net change in cash balances	(12,458)	(9,458)	43,977	53,435
Cash balance, beginning	-	-	368,622	368,622
Prior period adjustment	-	-	124	124
Cash balance, beginning restated	-	-	368,746	368,746
Cash balance, ending	\$ (12,458)	\$ (9,458)	\$ 412,723	\$ 422,181
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 43,977	
Adjustment to revenues for accruals and other deferrals			(72,005)	
Adjustment to expenditures for payables, prepaids and other accruals			112,632	
Net change in fund balance (GAAP Basis)			\$ 84,604	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Fire Protection Fund - 209
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	87	87	25	(62)
Agency on aging	-	-	-	-
Local grant	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	73,960	73,960	73,960	-
State grant	-	-	5,000	5,000
Total revenues	74,047	74,047	78,985	4,938
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	58,467	58,467	34,686	23,781
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	58,467	58,467	34,686	23,781
Excess (deficiency) revenues over (under) expenditures	15,580	15,580	44,299	28,719
Other financing sources (uses)				
Operating transfers net	(15,672)	(15,672)	(1,359)	14,313
Designated cash	92	92	-	(92)
Total other financing sources (uses)	(15,580)	(15,580)	(1,359)	14,221
Net change in cash balances	-	-	42,940	42,940
Cash balance, beginning	-	-	37,989	37,989
Prior period adjustment	-	-	125	125
Cash balance, beginning restated	-	-	38,114	38,114
Cash balance, ending	\$ -	\$ -	\$ 81,054	\$ 81,054
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 42,940	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			4,499	
Net change in fund balance (GAAP Basis)			\$ 47,439	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Municipal Streets Fund - 216
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	33,879	33,879	47,002	13,123
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Local grant	-	417,500	417,500	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	<u>33,879</u>	<u>451,379</u>	<u>464,502</u>	<u>13,123</u>
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	24,622	400,000	190,234	209,766
Culture and recreation	-	-	-	-
Capital outlay	-	42,122	39,175	2,947
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>24,622</u>	<u>442,122</u>	<u>229,409</u>	<u>212,713</u>
Excess (deficiency) revenues over (under) expenditures	9,257	9,257	235,093	225,836
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	9,257	9,257	235,093	225,836
Cash balance, beginning	-	-	33,582	33,582
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>33,582</u>	<u>33,582</u>
Cash balance, ending	<u>\$ 9,257</u>	<u>\$ 9,257</u>	<u>\$ 268,675</u>	<u>\$ 259,418</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 235,093	
Adjustment to revenues for accruals and other deferrals			(5,720)	
Adjustment to expenditures for payables, prepaids and other accruals			1,755	
Net change in fund balance (GAAP Basis)			<u>\$ 231,128</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Proprietary Funds
Statement of Net Position
June 30, 2016

	Business-type Activities <u>Water Fund 501</u>	Business-type Activities <u>Solid Waste 502</u>	Business-type Activities <u>Totals</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 66,666	\$ -	\$ 66,666
Investments	398,986	-	398,986
Accounts receivable			
Due from other funds	18,014	66,228	84,242
Sales, net	<u>31,662</u>	<u>5,678</u>	<u>37,340</u>
Total current assets	<u>515,328</u>	<u>71,906</u>	<u>587,234</u>
Noncurrent assets			
Restricted cash			
Customer meter deposits	18,410	-	18,410
Capital assets, being depreciated	4,635,146	256,470	4,891,616
Less: accumulated depreciation	<u>(1,943,149)</u>	<u>(200,153)</u>	<u>(2,143,302)</u>
Total noncurrent assets	<u>2,710,407</u>	<u>56,317</u>	<u>2,766,724</u>
Total assets	<u>\$ 3,225,735</u>	<u>\$ 128,223</u>	<u>\$ 3,353,958</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities			
Accounts payable	\$ 4,604	\$ 212,966	\$ 217,570
Due to other funds	115,455	18,395	133,850
Compensated absences	4,302	-	4,302
Current portion notes payable	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total current liabilities	<u>132,361</u>	<u>231,361</u>	<u>363,722</u>
Noncurrent liabilities			
Customer meter deposits	16,978	-	16,978
Landfill closure costs	-	64,650	64,650
Notes payable	<u>437,000</u>	<u>-</u>	<u>437,000</u>
Total noncurrent liabilities	<u>453,978</u>	<u>64,650</u>	<u>518,628</u>
Total liabilities	586,339	296,011	882,350
Net position			
Net invested in capital assets	2,246,997	56,317	2,303,314
Unrestricted	<u>392,399</u>	<u>(224,105)</u>	<u>168,294</u>
Total net position	<u>2,639,396</u>	<u>(167,788)</u>	<u>2,471,608</u>
Total liabilities and net position	<u>\$ 3,225,735</u>	<u>\$ 128,223</u>	<u>\$ 3,353,958</u>

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2016

	Business-type Activities Water 501	Business-type Activities Solid Waste 502	Business-type Activities Totals
Operating revenues			
Sales and services	\$ 251,600	\$ 49,421	\$ 301,021
Total operating revenues	<u>251,600</u>	<u>49,421</u>	<u>301,021</u>
Operating expenses			
Public works	307,579	33,133	340,712
Depreciation	99,868	11,366	111,234
Total operating expenses	<u>407,447</u>	<u>44,499</u>	<u>451,946</u>
Operating income (loss)	(155,847)	4,922	(150,925)
Non-operating revenues (expenses)			
Taxes - environmental gross receipts	-	345	345
Interest income	489	-	489
Local grants	398,500	-	398,500
Net state grant	13,934	-	13,934
Capital credits	39	-	39
Change in meter deposits	857	-	857
Debt service interest	(1,695)	-	(1,695)
Total non-operating revenue (expenses)	<u>412,124</u>	<u>345</u>	<u>412,469</u>
Net income (loss)	256,277	5,267	261,544
Operating transfers (net)	(1,500)	1,500	-
Change in net position - proprietary funds	254,777	6,767	261,544
Net position, beginning	2,384,619	(174,555)	2,210,064
Prior period adjustment	-	-	-
Net position restated	<u>2,384,619</u>	<u>(174,555)</u>	<u>2,210,064</u>
Net position, ending	<u>\$ 2,639,396</u>	<u>\$ (167,788)</u>	<u>\$ 2,471,608</u>

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2016

	Business-type Activities Water 501	Business-type Activities Solid Waste 502	Business-type Activities Totals
Cash flows from operating activities			
Receipts from customers	\$ 266,447	\$ 49,612	\$ 316,059
Payments to suppliers, contractors and employees	<u>(316,569)</u>	<u>(27,457)</u>	<u>(344,026)</u>
Net cash provided (used) by operating activities	<u>(50,122)</u>	<u>22,155</u>	<u>(27,967)</u>
Cash flows from non capital financing activities			
Taxes received	-	345	345
Miscellaneous	39	-	39
Change in meter deposits	857	-	857
Interest income	489	-	489
Interest expense	<u>(20,340)</u>	<u>-</u>	<u>(20,340)</u>
Net cash provided (used) by non capital financing activities:	<u>(18,955)</u>	<u>345</u>	<u>(18,610)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	-	-
Local grant	398,500	-	398,500
Net state grant	13,934	-	13,934
Operating transfers in (out)	(1,500)	1,500	-
Due to other funds	-	(21,500)	(21,500)
Debt payment	<u>(7,000)</u>	<u>(2,500)</u>	<u>(9,500)</u>
Net cash provided (used) by capital and related financing a	<u>403,934</u>	<u>(22,500)</u>	<u>381,434</u>
Net increase (decrease) in cash and cash equivalents	334,857	-	334,857
Cash balance, beginning	149,205	-	149,205
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, beginning restated	149,205	-	149,205
Total cash and cash equivalents, ending	<u>\$ 484,062</u>	<u>\$ -</u>	<u>\$ 484,062</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (155,847)	\$ 4,922	\$ (150,925)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	99,868	11,366	111,234
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	14,847	191	15,038
Increase (Decrease) in accounts payable	<u>(8,990)</u>	<u>5,676</u>	<u>(3,314)</u>
Net cash provided (used) by operating activities	<u>\$ (50,122)</u>	<u>\$ 22,155</u>	<u>\$ (27,967)</u>

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

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of the Town of Vaughn (the Town) is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Town is a political subdivision of the state of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Town operates under the mayor-trustee form of government. The Town provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, and general administrative services. The Town's basic financial statements include all activities and accounts of the Town's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the Town. The Town is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2016.

B. Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 on 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*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The Town does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The Town's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, the assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the municipality; these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. 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 Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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:

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, licenses 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.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

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

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 only the General Fund and the Fire Protection Fund. No other funds were required to be presented as major at the discretion of management.

General Fund

The Town'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 primarily through property, gross receipts and other miscellaneous taxes.

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

Streets Fund

To account for the receipt and expenditure of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state statute 7-1-16.9 and 7-13-1 to 18 NMSA 1978.

The government reports its Water Fund and Solid Waste Fund (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfold activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities

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

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents:

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments for the Town are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets:

Restricted assets are those held in trust for others.

Receivables and Payables:

Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

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.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Inventory:

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed.

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, per section 12-6-10 NMSA 1978, 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. 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 assets 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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	20-30
Land Improvements	25-65
Building Improvements	25-65
Vehicles	5-10
Machinery, equipment and other	5-20

Deferred Outflows of Resources:

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

Deferred Inflows of Resources:

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

Pensions – Deferred Inflows and Deferred Outflows of Resources

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when the payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences:

All full-time regular employees are entitled to paid vacation time. Part time employees are entitled to paid vacation time on a basis prorated to the full-time (40 hour) work week. Unused sick leave is not paid upon termination.

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.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the Town adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Town’s financial statements.

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Town’s financial statements.

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Town Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Town's Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Trustees or the Finance Committee. The Town did not have assigned fund balances for the year ended June 30, 2016.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds, other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position and Fund Equity:

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets:

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position:

Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position:

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Inter-fund Transactions:

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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Estimates:

The preparation of financial statements in conformity with 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 financials 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 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year 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 'measurable' and 'available' in the governmental fund financial statements.

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by Town Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The Town is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016, is presented.

The appropriated budget for the year ended June 30, 2016, was properly amended by the Town Council throughout the year.

Note 3 Deposits and Investments

State statutes authorize the investment of the Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Town properly followed State investment requirements as of June 30, 2016.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

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

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

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

Per the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW 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.

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, to the Town for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits.

	Everyone's Federal CR Union Tucumcari, NM	Wells Fargo Bank
Total amount on deposit on June 30, 2016		
Checking	\$ 775,188	\$ 722,613
Savings and/or Certificate of Deposit	275	11,786
Total deposited	<u>775,463</u>	<u>734,399</u>
Less FDIC coverage	-	(250,000)
Less NCUA coverage	<u>(250,000)</u>	-
Total uninsured public funds	<u>525,463</u>	<u>484,399</u>
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>262,732</u>	<u>242,200</u>
Pledged securities	-	<u>264,945</u>
Over (under)	<u>\$ (262,732)</u>	<u>\$ 22,746</u>

Pledged Collateral:

Everyone's Federal Credit Union	Maturity	Market
Desc.	Date	Value
Comenity Cap Bk	20033AQL3 5/31/2019	\$ 248,000
Compass Bank	20451PPA8 5/30/2018	\$ 248,000
Flushing Bank	34387AAG4 3/31/2017	\$ 248,000
Barclays Bank	06740KKG7 4/24/2017	\$ 248,000
Medallion Bank	58403BM37 4/25/2017	<u>\$ 248,000</u>
These certificates of deposit do not meet the Public Money Act requirements		<u>\$ 1,240,000</u>
Wells Fargo Bank		
FNMA	3138W46GI 2/1/1943	<u>\$ 264,945</u>

The collateral is pledged to the Town but not carried in the Town's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$219,453 of the Town's deposits in Wells Fargo Bank was exposed to custodial credit risk.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

	Everyone's Federal CR Union Tucumcari, NM	Wells Fargo Bank
Custodial Credit Risk Deposits		
Account Balance	\$ 775,463	\$ 734,399
NCUA Insurance	250,000	-
FDIC Insurance	-	250,000
Collateral:		
Collateral held by the pledging bank, not in the District's name		264,945
Uninsured and uncollateralized	525,462	219,454
Total Deposits	<u>\$ 775,462</u>	<u>\$ 734,399</u>

Note 4 Receivables

Receivables as of June 30, 2016, are as follows:

Governmental Activities	General Fund	Municipal Streets	Non Major	Totals
Accounts receivable taxes				
Property Tax	\$ 1,807		\$ -	\$
Municipal Equivalent Dist. GRT	43		-	
MVD Fees	178		-	
State Shared GRT	13,930		-	
Local Imposed GRT	16,729		-	
Environmental GRT	43		-	
Infrastructure GRT	1,383		-	
Interstate Telecom	79		-	
Gas Tax	-	2,552	-	
Ambulance County GRT	-		4,338	
Lodgers Tax	-		4,866	
Total accounts receivable taxes				45,948
Accounts receivable other				
Anbuance	-		5,788	
Total accounts receivable other				5,788
Totals	<u>\$ 34,192</u>	<u>\$ 2,552</u>	<u>\$ 14,992</u>	<u>\$ 51,736</u>

The above accounts receivable taxes and accounts receivable from grantor are deemed 100% collectible.

Business-type Activities	Water Fund	Solid Waste Fund	Totals
Receivable from customers	\$ 31,662	\$ 5,678	\$ 37,340

Note 5 Interfund Receivables, Payables, and Transfers

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.

Permanent transfers for the year ended June 30, 2016 are listed below:

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

	Transfer In	Transfer Out
Debt Service	\$ 8,677	\$ -
Fire Protection	-	(7,318)
Law Enforcement	-	(1,359)
Totals	<u>\$ 8,677</u>	<u>\$ (8,677)</u>

	Transfer In	Transfer Out
Solid Waste	1,500	-
Water	-	(1,500)
Totals	<u>\$ 1,500</u>	<u>\$ (1,500)</u>

The due to and due from accounts were created to reflect amounts that were receipted or expended from the wrong fund.

	Due To	Due From
General Fund		
206 EMS	\$ 5,549	\$ -
219 Senior Citizens	6,960	-
300 Airport	10,136	-
509 Ambulance	1,240	-
510 Cemetery	578	-
504 Solid Waste	18,395	-
	<u>\$ 42,858</u>	<u>\$ -</u>
Special Revenue Funds		
206 EMS	\$ -	\$ 5,549
216 Municipal Streets	-	-
217 Recreation	1,000	-
505 Water Utility	39,091	-
217 Recreation	-	-
216 Municipal Streets	-	1,000
219 Senior Citizens	-	-
101 General	-	6,960
300 Airport	-	-
101 General	-	10,136
505 Water Utility	10,136	-
505 Water Utility	-	18,014
509 Ambulance	-	-
101 General	-	1,240
510 Cemetery	-	-
101 General	-	578
Total Special Revenue	<u>\$ 50,227</u>	<u>\$ 43,477</u>
Proprietary Funds		
504 Solid Waste	\$ -	\$ -
101 General	-	18,395
505 Water Utility	44,728	-
505 Water Utility	21,500	-
505 Water Utility	-	-
216 Municipal Streets	-	39,091
300 Airport	-	10,136
300 Airport	18,014	-
504 Solid Waste	-	44,728
504 Solid Waste	-	21,500
Total Proprietary Funds	<u>\$ 84,242</u>	<u>\$ 133,850</u>
Total All Funds	<u>\$ 177,327</u>	<u>\$ 177,327</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

Note 6 Accounts Payables

Accounts payable are payable to suppliers as of June 30, 2016, are listed below.

Governmental Activities	General Fund	Fire Fund	Non Major	Totals
Accounts payable				
General				
Financial	\$ 27,515	\$ -	\$ -	\$ 27,515
Judicial	-	-	-	-
Culture and recreation	292	-	-	292
Public safety	368	860	-	1,228
Public works	-	-	-	-
Senior citizens	-	-	4,853	4,853
Lodgers Tax	-	-	7,303	7,303
Ambulance	-	-	144	144
Wildlands Fire	-	-	77	77
Totals	<u>\$ 28,175</u>	<u>\$ 860</u>	<u>\$ 12,377</u>	<u>\$ 41,412</u>
Business-Type		Solid Waste Fund	Total	
Accounts payable trade	\$ 4,604	\$ 2,866	\$ 7,470	
Accounts payable NMED	-	210,100	210,100	
	<u>\$ 4,604</u>	<u>\$ 212,966</u>	<u>\$ 217,570</u>	

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 188,265	\$ -	\$ -	\$ 188,265
CNP	-	-	-	-
Capital assets being depreciated				
Land improvements	5,424,365	-	-	5,424,365
Buildings	2,053,347	-	-	2,053,347
Machinery & equipment	267,871	-	-	267,871
Vehicles	767,998	39,175	-	807,173
Total assets	<u>8,701,846</u>	<u>39,175</u>	<u>-</u>	<u>8,741,021</u>
Less accumulated depreciation				
Land improvements	(777,533)	(103,367)	-	(880,900)
Buildings	(1,439,688)	(82,134)	-	(1,521,822)
Machinery & equipment	(257,677)	(5,205)	-	(262,882)
Vehicles	(616,717)	(30,205)	-	(646,922)
Total accumulated depreciation	<u>(3,091,615)</u>	<u>(220,911)</u>	<u>-</u>	<u>(3,312,526)</u>
Governmental activity capital assets, net	<u>\$ 5,610,231</u>	<u>\$ (181,736)</u>	<u>\$ -</u>	<u>\$ 5,428,495</u>

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Net Position as follows: Governmental activities \$ 5,428,495.

Depreciation expense for the year ended June 30, 2016 was reported as unclassified.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

Business-Type Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 19,203	\$ -	\$ -	\$ 19,203
CNP	21,688	-	(21,688)	-
Capital assets being depreciated				
Buildings	34,159	-	-	34,159
Underground lines	4,347,338	-	-	4,347,338
Machinery & equipment	469,228	21,688	-	490,916
Total assets	4,891,616	21,688	(21,688)	4,891,616
Less accumulated depreciation				
Buildings	(18,388)	(1,366)	-	(19,754)
Underground lines	(1,672,099)	(86,947)	-	(1,759,046)
Machinery & equipment	(341,581)	(22,921)	-	(364,502)
Total accumulated depreciation	(2,032,068)	(111,234)	-	(2,143,302)
Business-type activity capital assets, net	\$ 2,859,548	\$ (89,546)	\$ (21,688)	\$ 2,748,314

Depreciation expense relating to business-like activities for the year ended June 30, 2016 totaled \$111,234.

Note 8 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 \$32,815 to Insurance Services of New Mexico during the June 30, 2016 fiscal year.

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

Note 9 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:

- A. Deficit fund balance of individual funds.
Airport (\$18,014) and EMS (\$5,287)
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
The Town did not reported expenditures in excess of budget at the function level at June 30, 2016,

Note 10 Long-term Debts

Governmental Activities

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
NMFA Note payable	\$ 29,842	\$ -	\$ (22,523)	\$ 7,319	\$ 7,319
Compensated absences	13,770	2,302	-	16,072	16,072
	<u>\$ 43,612</u>	<u>\$ 2,302</u>	<u>\$ (22,523)</u>	<u>\$ 23,391</u>	<u>\$ 23,391</u>

In prior years, the General Fund has typically liquidated the compensated absences and the Law Enforcement Fund liquidated the NMFA note.

Note Payable

The Town entered 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 \$7,319 at June 30, 2016.

Annual debt service requirements for the NMFA note is as follow:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 7,319	\$ -	\$ 7,319

Business-type Activities

During the year ended June 30, 2016, the following changes occurred in the compensated absences liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type Activities					
Note payable	\$ 452,000	\$ -	\$ (7,000)	\$ 445,000	\$ 8,000
Compensated absences	5,123	-	(821)	4,302	4,302
	<u>\$ 457,123</u>	<u>\$ -</u>	<u>\$ (7,821)</u>	<u>\$ 449,302</u>	<u>\$ 12,302</u>

Annual debt service requirements note is as follow:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 8,000	\$ 20,030	\$ 28,030
2018	8,000	19,670	27,670
2019	8,000	19,310	27,310
2020	9,000	18,950	27,950
2021	9,000	18,540	27,540
2022-2026	52,000	86,150	138,150
2027-2031	65,000	73,410	138,410
2031-2035	82,000	57,300	139,300
2036-2040	101,000	37,180	138,180
2041-2045	103,000	12,160	115,160
	<u>\$ 445,000</u>	<u>\$ 362,700</u>	<u>\$ 807,700</u>

Note 11 Public Employees Retirement Association (PERA) Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf

Contributions – The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf

The PERA coverage options that applies to Town are The Municipal General Division and the Municipal Police Division. Statutorily required contributions to the pension plan from the Town were \$6,466 for the Municipal General Division and \$6,615 for the Municipal Police Division for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014,. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2016, the Town reported a liability of \$151,918 for its proportionate share of the net pension liability. At June 30, 2015, the Town's proportion was 0.0149%, which is the same as its proportion of 0.0149% measured as of June 30, 2014.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

For the year ended June 30, 2016, the Town recognized PERA Municipal General Division pension expense of \$5,814. At June 30, 2016, the Town reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$14,399 and \$3,905, respectively, related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,365
Change in assumptions	-	59
Net difference between projected and actual earnings on plan investments	-	481
Change in proportion and difference between District contribution and proportionate share of contributions		-
District's contribution subsequent to the measurement date	14,399	-
Totals	\$ 14,399	\$ 3,905

\$14,399 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division
2017	\$ (4,024)
2018	(4,024)
2019	(4,024)
2020	8,166
Total	\$ (3,906)

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. There were not significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Lever percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increase	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study date	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by

STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to The Financial Statements
June 30, 2016

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real times of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On that basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Town’s net pension liability in each PERA fund division that Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Proportionate share of the net pension liability	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Municipal General Division	\$ 258,657	\$ 151,918	\$ 63,173

Pension plan fiduciary net position – Detailed information about the pension’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at: <http://www.pera.state.nm.us/publications.html>.

Note 12 Post-Employment Benefits – State Retiree Health Care Plan

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 13 Contingent Liabilities

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 Surety Bond

The officials and certain employees of the Town are covered by a surety bond as required by Section 126-7 NMSA 1978 Compilation.

Note 15 Closure and Post Closure Cost

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 \$60,340 at June 30, 2016 represent the cumulative amount reported to date based upon approximately 29% 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.

Note 16 Subsequent Review

The Town has evaluated subsequent events through December 12, 2016 which is the date the financial statements were available for issuance.

Note 17 Related Party Transactions

The Town paid \$1,899 for repairs and maintenance to T-N-T Towing & Service, which is owned by the Fire Chief, Thomas Owen. The Town also paid \$626 for equipment and food supplies to Lalo’s Cash & Carry, which is owned by board member Lalo Padilla.

Note 18 Restatement of Net Position

Governmental types	
Beginning net Position	\$ 6,198,826
Void checks > one year old	<u>485</u>
Beginning net Position, Restated	<u>\$ 6,199,311</u>

Note 19 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 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, 2014 – June 30, 2016
Total Estimated Amount of Project and Actual Amount Contributed: The Town contributes personnel and equipment at an unknown cost

Required Supplementary Information

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Proportionate Share of the Net Pension Liability
Public Employee Retirement Association (PERA) Pension Plan
Last 10 Fiscal Years*

Schedule A-1

Municipal General Division	<u>2015</u>	<u>2016</u>
The Town's proportion of the net pension liability (asset)	0.01490%	0.01490%
The Town's proportionate share of the net pension liability (asset)	\$ 116,236	\$ 151,918
The Town's covered-employee payroll	\$ 165,633	\$ 194,585
The Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.18%	78.07%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Town will present information for those years for which information is available.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Contributions
Public Employee Retirement Association (PERA) Pension Plan
Last 10 Fiscal Years*

Schedule A-2

Municipal General Division	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 23,275	\$ 14,399
Contributions in relation to the contractually required contribution	<u>23,275</u>	<u>14,399</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 189,682	\$ 194,585
Contributions as a percentage of covered-employee payroll	12.27%	7.40%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Town will present information for those years for which information is available.

Note: Employee contributions are not included in this schedule.

See notes to required supplementary information

See notes to required supplementary information
STATE OF NEW MEXICO
TOWN OF VAUGHN
Notes to Required Supplementary Information
June 30, 2016

Changes in Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015, report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf.

Supplementary Information Related to Non-Major Governmental Funds

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.

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

Law Enforcement - To account for the expenditures from the State of New Mexico for training, equipment and capital outlay. Funding is authorized by NMSA 29-13-1 and 29-13- 4.

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

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.

Airport Fund – To account for the construction and equipment used for the airport runway. Sources of revenue are from federal, state and local sources.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Corrections 201	Emergency Medical Service 206	Law Enforcement Protection 211	Lodger's Tax 214	Recreation 217
<u>ASSETS</u>					
Cash in banks	\$ 4,443	\$ 262	\$ 5,613	\$ 165,846	\$ 1,973
Cash NMFA State Treasurer	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	4,866	-
Other	-	-	-	-	-
Other funds	-	-	-	-	-
 Total assets	 <u>\$ 4,443</u>	 <u>\$ 262</u>	 <u>\$ 5,613</u>	 <u>\$ 170,712</u>	 <u>\$ 1,973</u>
 <u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ 7,303	\$ -
Due to other funds	-	5,549	-	-	1,000
Accrued salaries & benefits payable	-	-	-	-	-
 Total liabilities	 <u>-</u>	 <u>5,549</u>	 <u>-</u>	 <u>7,303</u>	 <u>1,000</u>
 <u>FUND BALANCE</u>					
Restricted for					
Special revenue funds	4,443	-	5,613	163,409	973
Debt service	-	-	-	-	-
Unassigned					
Special revenue funds	-	(5,287)	-	-	-
 Total fund balance	 <u>4,443</u>	 <u>(5,287)</u>	 <u>5,613</u>	 <u>163,409</u>	 <u>973</u>
 Total liabilities and fund balance	 <u>\$ 4,443</u>	 <u>\$ 262</u>	 <u>\$ 5,613</u>	 <u>\$ 170,712</u>	 <u>\$ 1,973</u>

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

Senior Citizens 219	Fire/Wildland 299	Cemetery 299.1	Ambulance 299.2	Airport 299.3	Debt Service 400	Totals
\$ 23,419	\$ 11,637	\$ 5,178	\$ 16,169	\$ -	\$ -	\$ 234,540
-	-	-	-	-	143	143
-	-	-	4,338	-	-	9,204
-	-	-	5,788	-	-	5,788
-	-	-	-	10,136	-	10,136
<u>\$ 23,419</u>	<u>\$ 11,637</u>	<u>\$ 5,178</u>	<u>\$ 26,295</u>	<u>\$ 10,136</u>	<u>\$ 143</u>	<u>\$ 259,811</u>
\$ 4,853	\$ 77	\$ -	\$ 144	\$ -	\$ -	\$ 12,377
6,960	-	578	1,240	28,150	-	43,477
-	-	-	-	-	-	-
<u>11,813</u>	<u>77</u>	<u>578</u>	<u>1,384</u>	<u>28,150</u>	<u>-</u>	<u>55,854</u>
11,606	11,560	4,600	24,911	-	-	227,115
-	-	-	-	-	143	143
-	-	-	-	(18,014)	-	(23,301)
<u>11,606</u>	<u>11,560</u>	<u>4,600</u>	<u>24,911</u>	<u>(18,014)</u>	<u>143</u>	<u>203,957</u>
<u>\$ 23,419</u>	<u>\$ 11,637</u>	<u>\$ 5,178</u>	<u>\$ 26,295</u>	<u>\$ 10,136</u>	<u>\$ 143</u>	<u>\$ 259,811</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Corrections 201	Emergency Medical Service 206	Law Enforcement Protection 211	Lodger's Tax 214	Recreation 217
Revenues					
Gross receipts tax environmental	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts tax municipal	-	-	-	-	-
Lodger's tax	-	-	-	53,128	-
Capital credits	-	-	-	-	-
Interest	2	-	-	-	-
Charges for services	-	-	-	-	-
Local grants	-	-	-	-	-
EMS grant	-	5,000	-	-	-
Fire allotment	-	-	-	-	-
LEPF grant	-	-	20,000	-	-
State grant	-	-	-	-	-
Federal grant	-	-	-	-	-
Total revenues	<u>2</u>	<u>5,000</u>	<u>20,000</u>	<u>53,128</u>	<u>-</u>
Expenditures					
Current					
General government					
Finance / administration	-	-	-	-	-
Public safety	-	5,009	12,973	-	-
Public works	-	-	-	-	-
Grant expenditures	-	-	-	-	-
Culture and recreation	-	-	-	101,673	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>5,009</u>	<u>12,973</u>	<u>101,673</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2	(9)	7,027	(48,545)	-
Other financing sources (uses)					
Operating transfers (net)	-	-	(7,318)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,318)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2</u>	<u>(9)</u>	<u>(291)</u>	<u>(48,545)</u>	<u>-</u>
Fund balances, beginning	4,441	(5,514)	5,904	211,954	973
Prior period adjustment	-	236	-	-	-
Fund balances, beginning restated	<u>4,441</u>	<u>(5,278)</u>	<u>5,904</u>	<u>211,954</u>	<u>973</u>
Fund balances, ending	<u>\$ 4,443</u>	<u>\$ (5,287)</u>	<u>\$ 5,613</u>	<u>\$ 163,409</u>	<u>\$ 973</u>

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

Senior Citizens 219	Fire/Wildland 299	Cemetery 299.1	Ambulance 299.2	Airport 299.3	Debt Service 400	Totals
\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 200
-	-	-	48,125	-	-	48,125
-	-	-	-	-	-	53,128
170	-	-	-	-	-	170
-	-	-	-	-	119	121
-	465	310	22,502	-	-	23,277
13,198	-	-	-	-	-	13,198
-	-	-	-	-	-	5,000
-	-	-	-	-	-	-
-	-	-	-	-	-	20,000
3,659	-	-	-	-	-	3,659
34,929	-	-	-	89,898	-	124,827
<u>51,956</u>	<u>465</u>	<u>310</u>	<u>70,827</u>	<u>89,898</u>	<u>119</u>	<u>291,705</u>
-	-	-	-	-	-	-
-	368	-	63,795	-	-	82,145
-	-	-	-	-	-	-
-	-	-	-	107,912	-	107,912
50,477	-	-	-	-	-	152,150
-	-	-	-	-	-	-
-	-	-	-	-	22,523	22,523
-	-	-	-	-	312	312
<u>50,477</u>	<u>368</u>	<u>-</u>	<u>63,795</u>	<u>107,912</u>	<u>22,835</u>	<u>365,042</u>
1,479	97	310	7,032	(18,014)	(22,716)	(73,337)
-	-	-	-	-	8,677	1,359
-	-	-	-	-	8,677	1,359
1,479	97	310	7,032	(18,014)	(14,039)	(71,978)
10,127	11,463	4,290	17,879	-	14,182	275,699
-	-	-	-	-	-	236
<u>10,127</u>	<u>11,463</u>	<u>4,290</u>	<u>17,879</u>	<u>-</u>	<u>14,182</u>	<u>275,935</u>
<u>\$ 11,606</u>	<u>\$ 11,560</u>	<u>\$ 4,600</u>	<u>\$ 24,911</u>	<u>\$ (18,014)</u>	<u>\$ 143</u>	<u>\$ 203,957</u>

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Corrections Fund - 201
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	5	5	2	(3)
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	5	5	2	(3)
Expenditures				
Current				
General government	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over (under) expenditures	5	5	2	(3)
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	5	5	2	(3)
Cash balance, beginning	-	-	4,441	4,441
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	4,441	4,441
Cash balance, ending	\$ 5	\$ 5	\$ 4,443	\$ 4,438
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 2</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Emergency Medical Service Fund - 206
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	5,000	5,000	5,000	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	5,000	5,000	5,000	-
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	5,000	5,035	5,009	26
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	5,000	5,035	5,009	26
Excess (deficiency) revenues over (under) expenditures	-	(35)	(9)	26
Other financing sources (uses)				
Operating transfers net	-	5,549	-	(5,549)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	5,549	-	(5,549)
Net change in cash balances	-	5,514	(9)	(5,523)
Cash balance, beginning	-	-	35	35
Prior period adjustment	-	-	236	236
Cash balance, beginning restated	-	-	271	271
Cash balance, ending	\$ -	\$ 5,514	\$ 262	\$ (5,252)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (9)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (9)</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Law Enforcement Protection Fund - 211
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	20,000	20,000	20,000	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	20,000	20,000	20,000	-
Expenditures				
Current				
General government	-	-	-	-
Finance	-	-	-	-
Public safety	18,568	18,568	12,973	5,595
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	18,568	18,568	12,973	5,595
Excess (deficiency) revenues over (under) expenditures	1,432	1,432	7,027	5,595
Other financing sources (uses)				
Operating transfers net	(7,318)	(7,318)	(7,318)	-
Designated cash	5,886	5,886	-	(5,886)
Total other financing sources (uses)	(1,432)	(1,432)	(7,318)	(5,886)
Net change in cash balances	-	-	(291)	(291)
Cash balance, beginning	-	-	5,904	5,904
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	5,904	5,904
Cash balance, ending	\$ -	\$ -	\$ 5,613	\$ 5,613
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (291)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (291)	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Lodger's Tax Fund - 214
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Lodger's tax	\$ 63,772	\$ 63,772	\$ 51,654	\$ (12,118)
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	<u>63,772</u>	<u>63,772</u>	<u>51,654</u>	<u>(12,118)</u>
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	46,464	94,370	94,370	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>46,464</u>	<u>94,370</u>	<u>94,370</u>	<u>-</u>
Excess (deficiency) revenues over (under) expenditures	17,308	(30,598)	(42,716)	(12,118)
Other financing sources (uses)				
Operating transfers (net)	-	68,629	68,629	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>68,629</u>	<u>68,629</u>	<u>-</u>
Net change in cash balances	17,308	38,031	25,913	(12,118)
Cash balance, beginning	-	-	139,933	139,933
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>139,933</u>	<u>139,933</u>
Cash balance, ending	<u>\$ 17,308</u>	<u>\$ 38,031</u>	<u>\$ 165,846</u>	<u>\$ 127,815</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 25,913	
Adjustment to revenues for accruals and other deferrals			1,474	
Adjustment to expenditures for payables, prepaids and other accruals			(75,932)	
Net change in fund balance (GAAP Basis)			<u>\$ (48,545)</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Recreation Fund - 217
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gross receipts tax	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	2,000	2,000	-	(2,000)
Expenditures				
Current				
General government	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,050	1,050	-	1,050
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,050	1,050	-	1,050
Excess (deficiency) revenues over (under) expenditures	950	950	-	(950)
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	950	950	-	(950)
Cash balance, beginning	-	-	1,973	1,973
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	1,973	1,973
Cash balance, ending	\$ 950	\$ 950	\$ 1,973	\$ 1,023
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Senior Citizens Fund - 219
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Capital credits	5,000	5,000	170	(4,830)
Local grant	16,000	16,000	13,198	(2,802)
State grant	5,000	5,000	3,659	(1,341)
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Federal grant	<u>67,502</u>	<u>67,502</u>	<u>43,616</u>	<u>(23,886)</u>
Total revenues	<u>93,502</u>	<u>93,502</u>	<u>60,643</u>	<u>(32,859)</u>
Expenditures				
Current				
General government	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	85,968	85,968	46,645	39,323
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>85,968</u>	<u>85,968</u>	<u>46,645</u>	<u>39,323</u>
Excess (deficiency) revenues over (under) expenditures	7,534	7,534	13,998	6,464
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	<u>7,534</u>	<u>7,534</u>	<u>13,998</u>	<u>6,464</u>
Cash balance, beginning	-	-	9,421	9,421
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>9,421</u>	<u>9,421</u>
Cash balance, ending	<u>\$ 7,534</u>	<u>\$ 7,534</u>	<u>\$ 23,419</u>	<u>\$ 15,885</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 13,998	
Adjustment to revenues for accruals and other deferrals			(8,687)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(3,832)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 1,479</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Fire Fund / Wildland - 299
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	5,000	5,000	465	(4,535)
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	5,000	5,000	465	(4,535)
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	1,500	1,500	291	1,209
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,500	1,500	291	1,209
Excess (deficiency) revenues over (under) expenditures	3,500	3,500	174	(3,326)
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	3,500	3,500	174	(3,326)
Cash balance, beginning	-	-	11,463	11,463
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	11,463	11,463
Cash balance, ending	\$ 3,500	\$ 3,500	\$ 11,637	\$ 8,137
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 174	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(77)	
Net change in fund balance (GAAP Basis)			\$ 97	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Cemetery Fund - 299.1
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	3,000	3,000	310	(2,690)
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>310</u>	<u>(2,690)</u>
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	200	200	-	200
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Excess (deficiency) revenues over (under) expenditures	2,800	2,800	310	(2,490)
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	2,800	2,800	310	(2,490)
Cash balance, beginning	-	-	4,868	4,868
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>4,868</u>	<u>4,868</u>
Cash balance, ending	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 5,178</u>	<u>\$ 2,378</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 310	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 310</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Ambulance Fund - 299.2
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gross receipts tax environmental	\$ 9	\$ 9	\$ 200	\$ 191
Gross receipts tax muni	48,000	48,000	50,567	2,567
Charges for services	41,200	41,200	16,714	(24,486)
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	89,209	89,209	67,481	(21,728)
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	86,730	86,730	75,610	11,120
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	86,730	86,730	75,610	11,120
Excess (deficiency) revenues over (under) expenditures	2,479	2,479	(8,129)	(10,608)
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	2,479	2,479	(8,129)	(10,608)
Cash balance, beginning	-	-	24,298	24,298
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	24,298	24,298
Cash balance, ending	\$ 2,479	\$ 2,479	\$ 16,169	\$ 13,690
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (8,129)	
Adjustment to revenues for accruals and other deferrals			3,346	
Adjustment to expenditures for payables, prepaids and other accruals			11,815	
Net change in fund balance (GAAP Basis)			\$ 7,032	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Special Revenue Fund - Airport Fund - 299.3
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gross receipts tax environmental	\$ -	\$ -	\$ -	\$ -
Gross receipts tax muni	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Federal grant	100,000	100,000	89,898	(10,102)
Total revenues	100,000	100,000	89,898	(10,102)
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Grant expenditures	110,000	110,000	107,912	2,088
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	110,000	110,000	107,912	2,088
Excess (deficiency) revenues over (under) expenditures	(10,000)	(10,000)	(18,014)	(8,014)
Other financing sources (uses)				
Due from other funds	-	-	-	-
Operating transfers	10,538	10,538	-	(10,538)
Designated cash	-	-	-	-
Total other financing sources (uses)	10,538	10,538	-	(10,538)
Net change in cash balances	538	538	(18,014)	(18,552)
Cash balance, beginning	-	-	-	-
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	-	-
Cash balance, ending	\$ 538	\$ 538	\$ (18,014)	\$ (18,552)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (18,014)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (18,014)	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Debt Service Fund - Debt Service Fund - 403
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Franchise tax	\$ -	\$ -	\$ -	\$ -
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	119	119
Rents / royalties	-	-	-	-
Donations / contributions	-	-	-	-
Agency on aging	-	-	-	-
Highway coop	-	-	-	-
EMS grant	-	-	-	-
LEPF grant	-	-	-	-
Fire allotment	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	-	-	119	119
Expenditures				
Current				
General government				
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	22,990	22,990	22,523	467
Interest	340	340	312	28
Total expenditures	23,330	23,330	22,835	495
Excess (deficiency) revenues over (under) expenditures	(23,330)	(23,330)	(22,716)	614
Other financing sources (uses)				
Operating transfers	23,330	23,330	8,677	(14,653)
Designated cash	-	-	-	-
Total other financing sources (uses)	23,330	23,330	8,677	(14,653)
Net change in cash balances	-	-	(14,039)	(14,039)
Cash balance, beginning	-	-	14,182	14,182
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	14,182	14,182
Cash balance, ending	\$ -	\$ -	\$ 143	\$ 143
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (14,039)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (14,039)	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Enterprise Fund - Water and Sewer Fund - 506
Statement of Revenues, Expenses, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 356,734	\$ 306,734	\$ 266,447	\$ (40,287)
Total revenues	<u>356,734</u>	<u>306,734</u>	<u>266,447</u>	<u>(40,287)</u>
Expenses				
Current				
Public works	<u>272,257</u>	<u>430,257</u>	<u>316,569</u>	<u>113,688</u>
Total expenses	<u>272,257</u>	<u>430,257</u>	<u>316,569</u>	<u>113,688</u>
Excess (deficiency) revenues over (under) expenses	84,477	(123,523)	(50,122)	73,401
Other financing sources (uses)				
Taxes - gross receipts (net)	-	-	-	-
Taxes - gross receipts	-	-	-	-
Taxes - environmental gross receipts	-	-	-	-
Conservation fee	-	-	-	-
Interest income	-	-	489	489
Penalty income	-	-	-	-
Capital credits	-	-	39	39
Change in meter deposits	-	-	857	857
BNSF grant	-	398,500	398,500	-
Net state grant	-	10,000	13,934	3,934
Debt service principal	-	(10,000)	(7,000)	3,000
Debt service interest	-	(30,000)	(20,340)	9,660
Operating transfers net	-	(2,000)	(1,500)	500
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>366,500</u>	<u>384,979</u>	<u>18,479</u>
Net change in cash balances	84,477	242,977	334,857	91,880
Cash balance, beginning	-	-	149,205	149,205
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>149,205</u>	<u>149,205</u>
Cash balance, ending	<u>\$ 84,477</u>	<u>\$ 242,977</u>	<u>\$ 484,062</u>	<u>\$ 241,085</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 334,857	
Adjustment to revenues for accruals and other deferrals			(14,847)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(65,233)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 254,777</u>	

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

STATE OF NEW MEXICO
TOWN OF VAUGHN
Enterprise Fund - Solid Waste Fund - 504
Statement of Revenues, Expenses, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 35,505	\$ 35,505	\$ 49,612	\$ 14,107
Total revenues	<u>35,505</u>	<u>35,505</u>	<u>49,612</u>	<u>14,107</u>
Expenses				
Current				
Public works	<u>30,000</u>	<u>30,000</u>	<u>27,457</u>	<u>2,543</u>
Total expenses	<u>30,000</u>	<u>30,000</u>	<u>27,457</u>	<u>2,543</u>
Excess (deficiency) revenues over (under) expenses	5,505	5,505	22,155	11,564
Other financing sources (uses)				
Taxes - gross receipts (net)	-	-	-	-
Taxes - gross receipts	-	-	-	-
Taxes - environmental gross receipts	-	-	345	345
Conservation fee	-	-	-	-
Interest income	-	-	-	-
Penalty income	-	-	-	-
Connect / reconnect income	-	-	-	-
Change in meter deposits	-	-	-	-
Other income	-	-	-	-
Debt service principal	(4,993)	(4,993)	(2,500)	2,493
Debt service interest	-	-	-	-
Operating transfers net	-	-	1,500	1,500
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>(4,993)</u>	<u>(4,993)</u>	<u>(655)</u>	<u>4,338</u>
Net change in cash balances	512	512	21,500	15,902
Cash balance, beginning	-	-	44,728	44,728
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	44,728	44,728
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,228</u>	<u>\$ 66,228</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 21,500	
Adjustment to revenues for accruals and other deferrals			(191)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(14,542)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 6,767</u>	

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

Other Supplemental Information

STATE OF NEW MEXICO
Town of Vaughn
Schedule of Bank Depositories
For the year ended June 30, 2016

Schedule I

Bank Name	Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank						
Governmental Activities						
	General Fund	1	\$ 421,666	\$ -	\$ (8,943)	\$ 412,723
	Local Government Correction	3	4,443	-	-	4,443
	Municipal Road 10% Plate	1	268,675	-	-	268,675
	Total		694,784	-	(8,943)	685,841
Business-type Activities						
	Water & Sewer Improvements	1	1	-	-	1
	Water & Sewer Improvements	1	32,270	-	-	32,270
	Water Department	3	7,343	-	-	7,343
	Total		39,614	-	-	39,614
	Total Wells Fargo		734,398	-	(8,943)	725,455
Everyone's Federal Credit Union						
	Juvenile Recreation Share Account	2	25	-	-	25
	Juvenile Recreation Account	1	1,948	-	-	1,948
	Health Service Share Account	2	25	-	-	25
	Health Service Account	1	814	-	(577)	237
	Fire Share Account	2	25	-	-	25
	Fire Account	1	82,035	-	(1,006)	81,029
	Fire Fund/Wildland Share Account	2	25	-	-	25
	Fire Fund/Wildland Account	1	11,612	-	-	11,612
	Law Enforcement Share Account	2	25	-	-	25
	Law Enforcement Account	1	6,296	-	(708)	5,588
	Senior Citizens Share Account	2	25	-	-	25
	Senior Citizens Account	1	23,950	-	(556)	23,394
	Ambulance Service Fund Share Account	2	25	-	-	25
	Ambulance Service Fund Account	1	17,071	-	(927)	16,144
	Operation & Maintenance Fund Share Account	2	25	-	-	25
	Operation & Maintenance Fund Account	1	36,745	-	(9,718)	27,027
	Operation & Maintenance CD	3	248,500	-	-	248,500
	Operation & Maintenance CD	3	150,486	-	-	150,486
	Cemetery Share Account	2	25	-	-	25
	Cemetery Account	1	5,153	-	-	5,153
	Meter Fund Share Account	2	25	-	-	25
	Meter Fund Account	1	18,385	-	-	18,385
	Lodgers Tax Fund Share Account	2	25	-	-	25
	Lodgers Tax Fund Account	1	172,193	-	(6,372)	165,821
	Total Everyone's Federal Credit Union		775,463	-	(19,864)	755,599
New Mexico Finance Authority						
	State Treasurer D/S	4	127	-	-	127
	State Treasurer D/S	4	16	-	-	16
	Total New Mexico Finance Authority		143	-	-	143
	Total All Accounts		\$ 1,510,004	\$ -	\$ (28,807)	\$ 1,481,197

- 1 Checking Account
- 2 Savings Account
- 3 Certificate Of Deposit
- 4 Trustee Account

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

STATE OF NEW MEXICO
 VILLAGE OF VAUGHN
 Vendor Schedule
 For the Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
6182	Village of Vaughn	Municipality	VGN1501L	Bid	Mesa Verde Enterprises Inc	Yes	\$102,070.40	N/A	396 La Luz Gate Road Alamogordo NM 88310	N/A	N/A	Paving Senior Citizens Parking Lot	N/A
6182	Village of Vaughn	Municipality	VGN1501L	Bid	Randy Sena Construction Inc	No			2835 Chanate Ave SW Albuquerque NM 87105	N/A	N/A		
6182	Village of Vaughn	Municipality	VGN1501L	Bid	RL Leeder Company	No			5029 Agua Fria St Santa Fe NM 87507	N/A	N/A		
6182	Village of Vaughn	Municipality	VGN1501L	Bid	Maxtek Contractors Inc	No			2201 Phoenix Ave NE Albuquerque NM 87107	N/A	N/A		
6182	Village of Vaughn	Municipality	VGN1501L	Bid	HO Construction Inc	No			118 Llano Del Sur Albuquerque NM 87105	N/A	N/A		
6182	Village of Vaughn	Municipality	3-35-0509-009-2015	Bid	Maxwell Asphalt Inc	Yes	\$79,702.25	N/A	1522 E Millbrook Way Bountiful UT 84011	N/A	N/A	Airfield pavement maintenance	N/A
6182	Village of Vaughn	Municipality	3-35-0509-009-2015	Bid	Armour Pavement Inc	No			NW Albuquerque NM 87114	N/A	N/A		
6182	Village of Vaughn	Municipality	3-35-0509-009-2015	Bid	Star Paving Company	No			3109 Love Road SW Albuquerque NM 87121	N/A	N/A		

63

Compliance Section

Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado • Clovis, New Mexico 88101 • 575-763-2245

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

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Town of Vaughn
Vaughn, New Mexico

I was engaged to audit, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to the 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, and 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, 2016, 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 Town presented as supplementary information, and have issued my report thereon dated December 12, 2016. I was unable to express an opinion on those financial statements because the Town did not maintain sufficient internal controls and/or adequate records of its cash, revenues/receivables, expenditures/expense/payables, payroll, and completeness of the underlying general ledger accounting.

Internal Control over Financial Reporting

In connection with my engagement to audit 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings 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 misstatements on a timely basis. A material weakness is a deficiency, or 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 as items 2014-002, 2016-002, 2016-003, 2016-004, 2016-005 to be material weaknesses.

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 in the accompanying schedule of findings and responses as items 2010-003, 2016-001 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 2014-001, 2014-002, 2015-01, 2016-001, 2016-002, 2016-004.

The Town's Response to Findings

The Town'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 the responses.

Purpose of this Report

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



Sandra Rush CPA PC
Clovis, New Mexico
December 12, 2016

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

Prior Year Audit Finding	
2002-025 Expenditures in Excess of Budget	Resolved
2001-001 Capital Assets	Resolved
2015-001 Pledged Collateral	Revised and Repeated

2010-003 (2010-03) Accounts Receivable and Accounts Payable - Significant Deficiency Revised and Repeated

Condition

The Town was unable to prepare a complete and accurate listing of accounts receivable and accounts payable.

Progress was made from the prior year. However, the accounts payable schedule provided required adjustments totaling \$33,551 and the Town did not provide an accounts receivable list for governmental fund receivables.

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.

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 list of accounts receivable or accounts payable as necessary.

Response

The Town Clerk will be trained to be able to provide the auditor with a listing of accounts receivable and accounts payables. The Town Clerk is responsible for ensuring this is corrected and expects this to be corrected by June 30, 2017. The Town of Clerk did give the auditor a thumb drive reference to the accounts receivable and Accounts payable listing. We did meet this requirement.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2014-001 Travel and Per Diem – Compliance

Revised and Repeated

Condition

The Town did not ensure that travel voucher had appropriate supporting documentation and approval. A sample of fifteen (15) travel vouchers revealed the following exceptions:

One (1) voucher was paid 100% in advance of travel.

One (1) voucher was not dated.

Two (2) vouchers had no documentation as to destination or purpose of travel.

Fifteen (15) out of Fifteen (15) had no authorization or approval.

The prior year's corrective action plan was not implemented.

Criteria

The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, Travel and Per Diem Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Effect

Non-compliance with the state of New Mexico Travel and Per Diem Act subjects' officials and employees to penalties as required by state statutes.

Cause

The Town did not understand and apply DFA regulations correctly. Travel requests were not reviewed properly prior to payment.

Recommendation

The Town should review the Mileage and Per Diem Act. Once a solid understanding of the Act is obtained, procedures should be reviewed and modified to ensure compliance with the Act.

Response

The Town will train all employees on the Travel Per Diem and the Mileage Policy. The Town passed a new ordinance authorizing the payment of \$0.50 per mile. The Town will implement procedures to ensure travel is reimbursed appropriately and adequate documentation is maintained. The Town Clerk is responsible for ensuring that Travel and per diem are paid correctly. The Town expects to correct this finding by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2014-002 Public Employees Retirement Act – Material Weakness and Compliance -

Revised and Repeated

Condition

Payments to PERA were being paid late. Progress was made correcting this finding. The Town engaged a third party to prepare payroll, payroll reports, and to file and pay payroll taxes and other payroll liabilities.

However, the Town lacks the ability to oversee the third-party preparer. The third-party preparer does not provide the Town with sufficient detailed reports to allow them to determine if gross wages, social security wages, or PERA wages or other payroll items are calculated correctly. There was no supporting schedule documenting how amounts reported on the IRS Form 941, PERA reports, or other reports to other agencies were determined

The prior year's corrective plan was not implemented.

Criteria

In accordance with the Public Employees Retirement Act (PERA) Sections 10-11-1 to 10-11-141 NMSA 1978, payments to PERA is due within 10 days from withholding from the pay date. Although the payments to PERA are now being submitted and paid timely. It is not possible to verify the wages and remittances are correct.

The use of a third-party preparer does not relieve the Town of the liability to report correct amounts to the Internal Revenue Service, State of New Mexico, Social Security Administration, PERA, or other agencies. Therefore, they must review and approve all reports and payments prior to submission. This will require a thorough understanding of payroll and reporting requirements.

Cause

The payroll administrator does not review and approve remittance to PERA or other taxing agencies prior to submission.

Effect

I was unable to audit payroll and/or determine the effect due to lack of payroll documentation.

Recommendation

The Town should require the third-party preparer to provide sufficient documentation to allow the Town to review and approve payroll prior to submission and payment. The payroll administrator should obtain sufficient training to allow review and approval of all payroll activities.

Response

The Town of Vaughn did call Wells Fargo reference PERA and the percentage that is suppose to be taken out of payroll was the right amount and did show on the payroll the amount taken out of the employee and the amount that the Town of Vaughn pays. The Town Administrator will check more closely the payroll before submitting and The Town of Vaughn also is working with a certified CPA and she will be doing payroll for the Town of Vaughn. The clerk is responsible for verifying payroll. The corrective action plan will be implemented by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2015-001 Pledged Collateral Act – Compliance -

Revised and Repeated

Condition

The Town's June 30, 2016 deposits in Everyone's Federal Credit totaled \$775,463. The Credit Union pledged certificates of deposits totaling \$1,240,000 to secure the Town's deposits.

Criteria

Per New Mexico state statute Section 6-10-16 NMSA 1978 and regulations from NMAC 2.2.2.10 M4(b) and M4 (e), the Credit Union is required to provide collateral for at least 50% of its uninsured balances. The Public Money Act states:

A. Deposits of public money shall be secured by:

- (1) securities of the United States, its agencies or instrumentalities;
- (2) securities of the state of New Mexico, its agencies, instrumentalities, counties, municipalities or other subdivisions;
- (3) securities, including student loans, that are guaranteed by the United States or the state of New Mexico;
- (4) revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated "BAA" or above by a nationally recognized bond rating service; or
- (5) letters of credit issued by a federal home loan bank.

B. No security is required for the deposit of public money that is insured by the federal deposit insurance corporation or the national credit union administration.

Cause

Everyone's Federal Credit Union pledged certificates of deposits that does not meet the requirements of the Public Money Act.

Effect

The Town is at risk for a loss of funds and is in violation of Section 6-10-16 NMSA 1978 and regulations from NMAC 2.2.2.10 M4(b) and M4(e).

Recommendation

The Town should deposit funds in a financial institution that is familiar with the requirements of the Public Money Act. They should also require the financial institution pledged sufficient collateral to comply with the Public Money Act. The Town clerk should monitor the pledged collateral monthly to verify the financial institution complies with the Public Money Act.

Response

Everyonesfcu was called and he sent a letter explaining the collateral. A copy was sent to your office. The process will take a minimum of 30 days but will be completed by no later than March 31st. u Upon completion Everyone's Federal Credit Union will complete an updated collateralization letter to insure compliance with the state examiners request.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2016-001 Stale Dated Checks - Significant Deficiency and Compliance

Condition

The Town maintained three (3) checks totaling \$124.45 in the General Fund, one (1) check totaling \$236.08 in the EMS Fund and 2 checks totaling \$125.30 in the Fire Fund that were dated at least one year prior to June 30, 2016.

Criteria

Section 7-8A NMSA 1978, and related regulations require the Town provide information about the payee and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for checks that were distributed but not cashed within one year.

Cause

The Town did not implement an internal control policy to account for stale dated outstanding checks.

Effect

The Town is in violation of Section 7-8A NMSA 1978, and related regulations. Also, carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

The Town should implement a procedure to review the outstanding check list for all bank accounts and track stale dated checks. If checks on the outstanding check list are greater than one year old take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Response

The Town of Vaughn Administrator will check the outstanding check list and will track stale dated checks. The Administrator will then send the report to Unclaimed Property Division of the New Mexico Taxation and Revenue Department. The Administrator did not know this had to be done but will correct it. The Town of Vaughn will work closely with the Auditor and the certified CPA to make sure all is in compliance. The clerk will implement the corrective action plan by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2016-002 Department of Finance and Administration Cash Report – Material Weakness and Compliance

Condition

During test work, we noted that the Town’s Cash Report to the Department of Finance and Administration did not tie to the Town general ledger beginning cash by \$31,509. Also, the following adjustments were made on the report so the ending cash would agree to the general ledger:

General Fund	\$	8,036
Correction Fund		(2)
Law Enforcement Fund		1
Lodgers Tax Fund		(1)
Municipal Streets Fund		1
Senior Citizens Fund		7,030
Capital Projects Fund		(18,577)
Debt Service Fund		13,845
Water Fund		(391,839)
Solid Waste Fund		(21,518)
Waste Water Fund		(11,088)
Ambulance Fund		2,701
Cemetery Fund		(1)
Total	\$	<u>(411,412)</u>

The Town was unable to explain why the adjustments were made. The Town uses a cash basis general ledger, they do not reconcile the change (net income) on the income statement with the change in the cash balance.

Criteria

NMSA 1978 6.6.3 states that every local public body shall make all reports as may be required by the local government division. The local government division requires that municipalities file quarterly financial reports for review by the local government division.

Effect

The Town is unable to provide the Department of Finance and Administration cash balances which tie to the Town cash.

Cause

The Town has not been reconciling cash balances to the Department of Finance and Administration reports quarterly.

Recommendation

I recommend the Town reconcile balances on the cash accounts in the accounting system to the balances reported to the Department of Finance and Administration quarterly.

The net income should be reconciled to the cash balance change. Any differences should be investigated and corrected.

Response

The Mayor and Council discussed with the Clerk/Treasurer the importance of being accurate. The Town of Vaughn will be working with a certified CPA to help the Clerk and make sure all is corrected. The corrective action plan will be implemented by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2016-003 Cash Disbursements – Material Weakness

Condition

It is the Town's policy and procedure to obtain approved purchase orders before goods or services are purchased. During our cash disbursements test work, we noted thirty out of thirty-five instances in which the vendor invoice predated the purchase order date these invoices totaled \$522,443. Also, two of the thirty-five did not have supporting documents attached, these totaled \$17,682 and one of the payments in the amount of \$39,175 did not have an invoice attached

Criteria

Per NMSA 1978 Section 6-6-3, the Town is expected to conform to the rules and regulations adopted relating to internal controls.

NMSA 1978 § 30-23-2 states "Paying or receiving public money for services not rendered consist of knowingly making or receiving payment made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered." Additionally, NMSA 1978, section 6-5-8, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation, and the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including purchase order revisions as necessary.

Effect

The lack of enforcing the Town's policies and procedures may result in the non-authorized purchases and/or purchases that exceed available resources.

The Town is in violation of NMSA 1978 § 30-23-2 NMSA 1978, section 6-5-8, and New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978)

Cause

Policies and procedures that the Town has adopted for cash disbursement transactions are not being enforced.

Recommendation

The Town must enforce policies and procedures that are set in place for the purchase of goods and/or services and ensure purchase orders are authorized prior to the purchase of goods and services and invoices are only paid when all the required documents are in hand. The Town could issue a blanket PO for recurring expenditures such as utilities.

Response

The Town Administrator did send a copy to the auditor of a supporting document for the amount of \$39,175. The Administrator will correct having supporting documents attached and invoices attached. Most importantly we will be in contact with the Auditor to insure that the findings are corrected to the point of being in compliance. The corrective action plan will be implemented by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2016-004 Financial Statements and Disclosures - - Compliance and Internal Control - Material Weakness

Condition

The Town relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The Town requires the independent auditor gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "A material weakness is a deficiency, or 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." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the Town personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the Town's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the Town accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The Town's staff lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past, this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the accounting staff of the Town attend seminars on governmental financial reporting to increase their knowledge and abilities.

Response

The Town of Vaughn will have the accounting staff attend seminars. The Town of Vaughn Staff will have frequent meetings to review findings and making sure findings are corrected. The corrective action plan will be implemented by June 30, 2017.

STATE OF NEW MEXICO
TOWN OF VAUGHN
Schedule of Findings and Responses
June 30, 2016

2016-005 Internal control Over Financial Reporting – Material Weakness

Condition

The Town's management did not have adequate internal control procedures in place over the financial statements issued by the Town using the basis of accounting required by generally accepted accounting principles (GAAP). These controls include the use of a financial statement checklist during the review of the report draft, documented review procedures, identification of management and/or staff to review draft, and verifying amounts reported in the financial statements to underlying records and schedules. The cash basis general ledger has numerous transactions paid out of the wrong fund.

Criteria

Town management is responsible for establishing and maintaining internal controls that include controls for the generally accepted accounting principles (GAAP) basis financial statements issued by the Town. The Town's system of internal controls must extend beyond the cash basis general ledger and the supporting schedules prepared by the Town; rather it must also include controls over the GAAP basis financial statements.

Cause

The Town's small size and limited resources contribute to difficulties in establishing controls over financial reporting at the financial statement level.

Effect

The Town's internal controls over financial reporting at the financial statement level are not adequate to ensure that a misstatement would be prevented and/or detected. A disclaimer of opinion was issued on the Town's financial statements due to our inability to sufficiently complete the audit objectives necessary to render an opinion on the account balances.

Recommendation

The Town must design and implement effective internal control procedures to ensure the financial statements and related notes are free from material misstatements.

Response:

The Town of Vaughn clerk/treasurer will make frequent contact with the current Auditor to ensure that the findings are corrected. Most importantly that we are accountable and in compliance and our method of accountability is to take care of business. The corrective action plan will be implemented by June 30, 2017.

Financial Statement Preparation

Although it would be preferred and desirable for the Town to prepare its own GAAP-basis financial statements, it is felt that the Town's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the Town. Management of the Town has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Roman Garcia, Mayor, Paula Foote, Assistant Clerk, and Sandra Rush, CPA, in an exit conference on December 9, 2016.