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STATE OF NEW MEXICO  
Town of Tatum  
June 30, 2008

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2008  
With Independent Auditor's Report Thereon

*Sandra Rush*  
*Certified Public Accountant, PC*

*1101 E Llano Estacado*  
*Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
TOWN OF TATUM

Official Roster  
For the year ended June 30, 2008

Board of Trustees

Donald Mullins	Mayor
Norma Atkison	Council Member
Doris McDonald	Council Member
T. J. Parks	Council Member
Ernest Reid Bretz	Council Member

Administrative Officials

Deanne Gruben	Clerk-Treasurer
Sonya Cogburn	Assistant Clerk - Treasurer

STATE OF NEW MEXICO  
TOWN OF TATUM

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# *Sandra Rush*

*Certified Public Accountant PC*

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1101 E Llano Estacado Clovis, New Mexico

88101 575-763-2245

## Independent Auditor's Report

To the Honorable Mayor, Town Council  
The Town of Tatum  
And  
Hector Balderas, CGFM  
State Auditor of the State of New Mexico

I was engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the respective budgetary comparisons, and the aggregate remaining fund information of the State of New Mexico, Town of Tatum, (the "Town"), as of and for the year ended June 30, 2008, 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 all budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on the financial statements based on my audit.

As discussed in Note 13 to the financial statements, the Town of Tatum's accounting records were not sufficient to audit. The Town does not keep a double entry set of accounting records. Accounting records were not available to substantiate balances reported for assets, liabilities, revenues, expenses, or expenditures for any fund. Therefore, due to limited accounting records, I were unable to apply generally accepted auditing procedure to the capital asset records, the long-term debt records, accounts payable, accounts receivable, revenues, expenditures, expenses, cash, or federal awards and expenditures. The amount by which these departures would affect the assets, liabilities, revenues, and expenditures of the General, Ambulance, Law Enforcement Protection, Public Safety, Fire Protection, Recreation, Senior Citizens, Cemetery, Detention, Municipal Streets/Roads, Environmental Gross Receipts, Special Building, and Water Fund is not reasonably determinable.

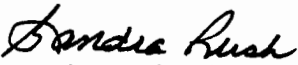
Because of the Town's insufficient accounting records as discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of and for the year ended June 30, 2008 which collectively comprise the Town's basic financial statements as listed in the table of contents. In addition, because of the Town's insufficient accounting records, the scope of my work was not sufficient to enable me to express and I do not express, and opinion on the nonmajor governmental funds and all budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements of the Town of Tatum as of and for the year ended June 30, 2008.

The Honorable Mayor, Town Council  
The Town of Tatum  
And  
Hector Balderas, CGFM  
State Auditor of the State of New Mexico  
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In accordance with *Government Auditing Standards*, I have also issued my report dated Dec 1, 2010, on my consideration of the Town of Tatum'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

For the year ended June 30, 2008 the Town of Tatum has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

My audit was performed for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons of the Town. The accompanying financial information listed as supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information has been audited, but the scope of my work was not sufficient to enable me to express, and I do not express an opinion in relation to the financial statements taken as a whole.

  
Sandra Rush, CPA  
December 1, 2010

## Basic Financial Section



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STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 700,999	\$ 17,154	\$ 718,153
Accounts receivable, net	-	14,970	14,970
Taxes receivable, net	76,619		76,619
Restricted cash	<u>5,350</u>	<u>33,446</u>	<u>38,796</u>
Total current assets	<u>782,968</u>	<u>65,570</u>	<u>848,538</u>
Noncurrent assets:			
Capital assets, not being depreciated	29,221	17,000	46,221
Capital assets, work in progress	-	1,195,295	1,195,295
Capital assets, being depreciated	2,128,521	1,634,154	3,762,675
Less: accumulated depreciation	<u>(745,614)</u>	<u>(1,179,872)</u>	<u>(1,925,486)</u>
Total noncurrent assets	<u>1,412,128</u>	<u>1,666,577</u>	<u>3,078,705</u>
Total assets	<u>\$ 2,195,096</u>	<u>\$ 1,732,147</u>	<u>\$ 3,927,243</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ 27,905	\$ 4,683	\$ 32,588
Accrued payroll	13,528	3,462	16,990
Water meter deposits	-	27,165	27,165
Current portion of long term debt	<u>-</u>	<u>10,652</u>	<u>10,652</u>
Total current liabilities	<u>41,433</u>	<u>45,962</u>	<u>87,395</u>
Noncurrent liabilities:			
Accrued compensated absences	10,210	8,367	18,577
Bonds and notes payable	<u>-</u>	<u>24,950</u>	<u>24,950</u>
Total noncurrent liabilities	<u>10,210</u>	<u>33,317</u>	<u>43,527</u>
Total liabilities	<u>51,643</u>	<u>79,279</u>	<u>130,922</u>
Invested in capital assets, net of related debt	1,412,128	1,630,975	3,043,103
Unrestricted	<u>525,590</u>	<u>21,893</u>	<u>547,483</u>
Total net assets	<u>2,143,453</u>	<u>1,652,868</u>	<u>3,796,321</u>
Total liabilities and net assets	<u>\$ 2,195,096</u>	<u>\$ 1,732,147</u>	<u>\$ 3,927,243</u>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Activities  
For the year ended June 30, 2008

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 234,645	\$ 5,479	\$ 198,438	\$ -
Public safety	718,336	43,383	238,218	-
Public works	489,875	-	593,581	-
Culture and recreation	167,369	4,133	74,875	-
Capital outlay	-	3,700	-	-
Depreciation	88,948	-	-	-
In / out / unidentifiable expenditures	305,814	-	-	-
<b>Total governmental activities</b>	<b>2,004,987</b>	<b>56,695</b>	<b>1,105,112</b>	<b>-</b>
<b>Business-type activities:</b>				
Unidentifiable expenditures	(1,171)	-	-	-
Interest on long-term debt	2,498	-	-	-
Depreciation	63,810	-	-	-
Water, waste and sewer	324,013	201,820	238,151	-
<b>Total business-type activities</b>	<b>389,150</b>	<b>201,820</b>	<b>238,151</b>	<b>-</b>
<b>Total governmental and business-type activities</b>	<b>\$ 2,394,137</b>	<b>\$ 258,515</b>	<b>\$ 1,343,263</b>	<b>\$ -</b>

General Revenues:

Taxes:

Property taxes  
Gross receipts taxes  
Franchise taxes  
Gasoline taxes  
Motor vehicle taxes  
Cigarette taxes

Miscellaneous  
Interest income  
Lot sales

Fines / forfeits  
Licenses and permits  
Transfers

In / out / unidentifiable receipts

Total general revenues

Change in net assets

Net assets, beginning  
Restatement  
Net assets, restated

Net assets, ending

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

Net [Expense]		
Revenues		
Governmental Activities	Business-type Activities	Total
\$ (30,728)	\$ -	\$ (30,728)
(436,735)	-	(436,735)
103,706	-	103,706
(88,361)	-	(88,361)
3,700	-	3,700
(88,948)	-	(88,948)
<u>(305,814)</u>	<u>-</u>	<u>(305,814)</u>
<u>(843,180)</u>	<u>-</u>	<u>(843,180)</u>
-	1,171	1,171
-	(2,498)	(2,498)
-	(63,810)	(63,810)
-	<u>115,958</u>	<u>115,958</u>
-	<u>50,821</u>	<u>50,821</u>
<u>\$ (843,180)</u>	<u>\$ 50,821</u>	<u>\$ (792,359)</u>
-	-	-
\$ 2,582	\$ -	\$ 2,582
422,596	69,149	491,745
23,012	-	23,012
30,775	-	30,775
284	-	284
2,502	-	2,502
155,599	458	156,057
1,342	937	2,279
4,925	-	4,925
56,196	-	56,196
1,507	-	1,507
12,573	(12,573)	-
<u>380,621</u>	<u>29,158</u>	<u>409,779</u>
<u>1,094,514</u>	<u>87,129</u>	<u>1,181,643</u>
251,334	137,950	389,284
1,676,759	1,340,169	3,016,928
<u>215,360</u>	<u>174,749</u>	<u>390,109</u>
<u>1,892,119</u>	<u>1,514,918</u>	<u>3,407,037</u>
<u>\$ 2,143,453</u>	<u>\$ 1,652,868</u>	<u>\$ 3,796,321</u>

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## Fund Financial Statements

STATE OF NEW MEXICO  
TOWN OF TATUM

Balance Sheet  
Governmental Funds  
June 30, 2008

	General 101	Fire Protection County & State 209	Municipal Streets/Roads 216
<b>ASSETS</b>			
Cash and cash equivalents	\$ 461,083	\$ 70,051	\$ 906
Accounts receivable	-	-	-
Taxes receivable	76,619	-	-
Due from other funds	-	-	23,208
<b>Total assets</b>	<b>\$ 537,702</b>	<b>\$ 70,051</b>	<b>\$ 24,114</b>
<b>LIABILITIES</b>			
Accounts payables	\$ 22,831	\$ 617	\$ -
Accrued payroll	7,538	317	-
Deferred revenue	911	-	-
Due to other funds	28,839	-	-
<b>Total liabilities</b>	<b>60,119</b>	<b>934</b>	<b>-</b>
<b>FUND BALANCE</b>			
Unreserved, Undesignated, reported in:			
General Fund	477,583	-	-
Special Revenue Funds	-	69,117	24,114
<b>Total fund balance</b>	<b>477,583</b>	<b>69,117</b>	<b>24,114</b>
<b>Total liabilities and fund balance</b>	<b>\$ 537,702</b>	<b>\$ 70,051</b>	<b>\$ 24,114</b>

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

Public Safety 218	Other Governmental Funds	Total Governmental Funds
\$ 37,023	\$ 137,286	\$ 706,349
-	-	-
-	-	76,619
-	<u>5,631</u>	<u>28,839</u>
<u>\$ 37,023</u>	<u>\$ 142,917</u>	<u>\$ 811,807</u>
\$ -	\$ 4,457	\$ 27,905
3,511	2,162	13,528
-	-	911
-	-	<u>28,839</u>
<u>3,511</u>	<u>6,619</u>	<u>71,183</u>
-	-	477,583
<u>33,512</u>	<u>136,298</u>	<u>263,041</u>
<u>33,512</u>	<u>136,298</u>	<u>740,624</u>
<u>\$ 37,023</u>	<u>\$ 142,917</u>	<u>\$ 811,807</u>

Reconciliation of Total Fund Balance from Balance Sheet Governmental Funds to the Total Net Assets on the Statement of Net Assets

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

Fund balances - total governmental funds \$ 740,624

Capital assets used in governmental activities are not financial resources and therefore, are not reported reported are not reported in the funds.

Capital assets	\$ 2,157,742	
Accumulated depreciation	<u>(745,614)</u>	1,412,128

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds

Compensated absences	(10,210)	
Deferred revenue	<u>911</u>	

Net assets of governmental activities \$ 2,143,453



STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2008

	General 101	Fire Protection County & State 209	Municipal Streets/Roads 216
Revenue:			
Taxes	\$ 471,206	\$ -	\$ -
Licenses and permits	1,507	-	-
Charge for services	5,479	-	-
Fines and forfeits	56,196	-	-
Miscellaneous	22,227	61,995	-
Interest income	784	199	-
Intergovernmental	198,438	43,132	593,581
Lot sales	-	-	-
In / our receipts	92,266	-	-
Unidentifiable receipts	304,740	(10,918)	67,291
Total revenues	<u>1,152,843</u>	<u>94,408</u>	<u>660,872</u>
Expenditures:			
Current:			
General government	234,645	-	-
Public safety	205,920	165,885	-
Public works	9,311	-	465,979
Culture and recreation	78,290	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
In / out expenditures	420,625	-	-
Unidentifiable expenditures	29,141	3,600	-
Total expenditures	<u>977,932</u>	<u>169,485</u>	<u>465,979</u>
Excess (deficiency) of revenues over expenditures	174,911	(75,077)	194,893
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	11,343	-	-
Total other financing sources (uses)	<u>11,343</u>	<u>-</u>	<u>-</u>
Net change in fund balances	186,254	(75,077)	194,893
Fund balances, beginning of year	86,098	159,749	(170,779)
Restatement	205,231	(15,555)	-
Fund balances, beginning of year restated	<u>291,329</u>	<u>144,194</u>	<u>(170,779)</u>
Fund balances, end of year	<u>\$ 477,583</u>	<u>\$ 69,117</u>	<u>\$ 24,114</u>

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

Public Safety 218	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 10,545	\$ 481,751
-	-	1,507
-	51,216	56,695
-	-	56,196
3,507	67,870	155,599
160	199	1,342
118,354	151,607	1,105,112
-	4,925	4,925
-	-	92,266
9,791	(82,549)	288,355
<u>131,812</u>	<u>203,813</u>	<u>2,243,748</u>
-	-	234,645
102,454	244,077	718,336
-	14,585	489,875
-	89,079	167,369
-	-	-
-	-	-
-	-	420,625
9,408	(156,960)	(114,811)
<u>111,862</u>	<u>190,781</u>	<u>1,916,039</u>
19,950	13,032	327,709
-	1,230	1,230
-	-	11,343
-	1,230	12,573
19,950	14,262	340,282
13,562	96,352	184,982
-	25,684	215,360
13,562	122,036	400,342
<u>\$ 33,512</u>	<u>\$ 136,298</u>	<u>\$ 740,624</u>

STATE OF NEW MEXICO  
TOWN OF TATUM

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, 2008

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

Net change in fund balances - total governmental funds	\$	340,282
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation		(88,948)
Change in net assets of governmental activities.	<u>\$</u>	<u>251,334</u>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

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, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue:</b>				
Local effort	\$ 3,125	\$ 3,150	\$ 3,107	\$ (43)
Taxes	406,650	428,921	427,438	(1,483)
Licenses and permits	1,451	1,551	1,507	(44)
Charges for services	5,218	5,518	5,479	(39)
Fines and forfeits	36,301	66,176	56,196	(9,980)
Miscellaneous	-	44,600	19,904	(24,696)
Intergovernmental	98,800	477,516	198,438	(279,078)
In / out revenue	-	-	92,266	92,266
Unidentifiable receipts	-	-	304,740	304,740
<b>Total revenue</b>	<b>551,545</b>	<b>1,027,432</b>	<b>1,109,075</b>	<b>81,643</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Legislative department:</b>				
Payroll	4,991	4,991	37,176	(32,185)
Administrative fees	-	-	1,263	(1,263)
Miscellaneous	-	-	723	(723)
<b>Financial administration department:</b>				
Payroll	57,040	61,527	61,527	-
Travel and training	3,000	3,078	4,088	(1,010)
Maintenance	45,000	45,700	50,028	(4,328)
Contractual services	25,000	34,231	34,231	-
Supplies	7,500	11,904	11,904	-
Other operating costs	15,000	23,210	23,210	-
<b>Judicial department:</b>				
Payroll	5,890	8,741	7,802	939
Travel and training	500	520	513	7
Maintenance	250	260	257	3
Supplies	30	40	37	3
<b>Police:</b>				
Payroll	162,932	183,221	159,537	23,684
Travel and training	300	300	267	33
Maintenance	26,570	30,000	26,570	3,430
Supplies	5,585	7,000	5,585	1,415
Other operating costs	5,700	7,000	5,700	1,300
<b>Library:</b>				
Payroll	30,000	37,245	36,058	1,187
Travel and training	50	50	32	18
Maintenance	14,000	14,000	13,721	279
Supplies	18,000	18,500	17,021	1,479
Other operating costs	5,508	8,900	8,868	32

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

STATE OF NEW MEXICO  
TOWN OF TATUM

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, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
General other:				
Salary and wages	-	-	2	(2)
Maintenance	-	-	574	(574)
Other operating costs	-	-	(1,359)	1,359
In / out expenditures	-	-	420,625	(420,625)
Unidentifiable expenditures	-	-	29,141	(29,141)
Total expenditures	<u>432,846</u>	<u>500,418</u>	<u>955,101</u>	<u>(454,683)</u>
Excess (deficiency) revenues over (under) expenditures	118,699	527,014	153,974	(373,040)
Other financing sources (uses):				
Operating transfers			11,343	11,343
Designated cash	<u>(118,699)</u>	<u>(527,014)</u>	<u>-</u>	<u>527,014</u>
Total other financing sources (uses)	<u>(118,699)</u>	<u>(527,014)</u>	<u>11,343</u>	<u>(538,357)</u>
Net change in fund balances	-	-	165,317	165,317
Cash balance, beginning of year	-	-	90,535	90,535
Prior period adjustment	<u>-</u>	<u>-</u>	<u>205,231</u>	<u>205,231</u>
Cash balance, beg. of year restated	<u>-</u>	<u>-</u>	<u>295,766</u>	<u>295,766</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 461,083</u>	<u>\$ 461,083</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 165,317	
Adjustment to revenues for accruals and other deferrals			43,768	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(22,831)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 186,254</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Fire Protection County and State Fund - 209  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	3,300	3,300	61,995	58,695
Interest income	-	-	199	199
Intergovernmental	55,501	55,501	43,132	(12,369)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	(10,918)	(10,918)
Total revenues	<u>58,801</u>	<u>58,801</u>	<u>94,408</u>	<u>35,607</u>
Expenditures:				
Current:				
Public safety	58,801	58,801	165,268	
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	3,600	(3,600)
Total expenditures	<u>58,801</u>	<u>58,801</u>	<u>168,868</u>	<u>(110,067)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(74,460)	(74,460)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(74,460)	(74,460)
Cash balance, beginning of year	-	-	160,066	160,066
Prior period adjustment	-	-	(15,555)	(15,555)
Cash balance, beg of year restated	-	-	<u>144,511</u>	<u>144,511</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,051</u>	<u>\$ 70,051</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (74,460)	
Adjustment to revenues for accruals and other deferrals				
Adjustment to expenditures for payables, prepaids and other accruals			<u>(617)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (75,077)</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Municipal Streets / Roads Fund - 216  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	800,000	800,000	593,581	(206,419)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	67,291	67,291
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>660,872</u>	<u>(139,128)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	800,000	800,000	660,872	139,128
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>800,000</u>	<u>800,000</u>	<u>660,872</u>	<u>139,128</u>
Excess (deficiency) revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	906	906
Prior period adjustment	-	-	-	-
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>906</u>	<u>906</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906</u>	<u>\$ 906</u>
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			<u>194,893</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 194,893</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Public Safety Fund - 218  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	3,507	3,507
Interest income	-	-	160	160
Intergovernmental	119,750	138,168	118,354	(19,814)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	9,791	9,791
Total revenues	<u>119,750</u>	<u>138,168</u>	<u>131,812</u>	<u>(6,356)</u>
Expenditures:				
Current:				
Public safety	119,750	119,750	102,454	17,296
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	9,408	(9,408)
Total expenditures	<u>119,750</u>	<u>119,750</u>	<u>111,862</u>	<u>7,888</u>
Excess (deficiency) revenues over (under) expenditures	-	18,418	19,950	1,532
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	(18,418)	-	18,418
Total other financing sources (uses)	-	(18,418)	-	18,418
Net change in fund balances	-	-	19,950	19,950
Cash balance, beginning of year	-	-	17,073	17,073
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	17,073	17,073
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,023</u>	<u>\$ 37,023</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 19,950	
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>\$ 19,950</u>	

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



STATE OF NEW MEXICO  
TOWN OF TATUM

Proprietary Funds  
Statement of Net Assets  
June 30, 2008

	<u>Business-type Activities Enterprise Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 17,154
Accounts receivable	14,970
Taxes receivable	-
	<hr/>
Total current assets	32,124
	<hr/>
Restricted assets:	
Meter deposits	33,446
	<hr/>
Capital assets:	
Capital assets, not being depreciated	1,212,295
Capital assets, being depreciated	1,634,154
Less: accumulated depreciation	<u>(1,179,872)</u>
	<hr/>
Total capital assets	1,666,577
	<hr/>
Total assets	<u>\$ 1,732,147</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 4,683
Accrued payroll	3,462
Meter deposits	27,165
Current portion note payable	<u>10,652</u>
	<hr/>
Total current liabilities	45,962
	<hr/>
Noncurrent liabilities:	
Accrued compensated absences	8,367
Note payable	<u>35,783</u>
	<hr/>
Total noncurrent liabilities	44,150
	<hr/>
Total liabilities	90,112
	<hr/>
Net assets:	
Invested in capital assets, net of related debt	1,620,142
Unrestricted	<u>21,893</u>
	<hr/>
Total net assets	1,642,035
	<hr/>
Total liabilities and net assets	<u>\$ 1,732,147</u>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the year ended June 30, 2008

	Business-type Activities Enterprise Fund
Operating revenues:	
Sales and services	\$ 71,524
Reconnections	3,440
Penalty charges	3,565
Gross receipts tax	57,625
Garbage	121,459
Tax / service	<u>11,524</u>
Total operating revenues	<u>269,137</u>
Operating expenses:	
Payroll	138,424
Travel and training	2,158
Contractual services	37,671
Insurance	44,827
Supplies	32,662
Other operating expenses	68,271
Depreciation	<u>63,810</u>
Total operating expenses	<u>387,823</u>
Operating income (loss)	(118,686)
Non-operating revenues (expenses):	
Interest income	937
Interest expense	(2,498)
Federal and state grants	238,151
Miscellaneous	458
Unidentifiable receipts	29,158
Principal note payment	(10,833)
Change in meter deposits	1,832
Unidentifiable expenses	<u>1,171</u>
Total non-operating revenue (expenses)	<u>258,376</u>
Income (loss) before transfers	139,690
Transfers (out)	<u>(12,573)</u>
Net income (loss)	127,117
Net assets, beginning of year	1,340,169
Prior period adjustment	<u>174,749</u>
Net assets, end of year	<u>\$ 1,642,035</u>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Proprietary Funds  
Statement of Cash Flows  
For the year ended June 30, 2008

	Business-type Activities Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 272,528
Cash payments to vendors for goods and services	(180,906)
Cash payments to employees for services	<u>(138,424)</u>
Net cash provided (used) by operating activities	<u>(46,802)</u>
Cash flows from non capital financing activities:	
Federal grant	238,151
Reduction of long-term debt	(10,833)
Interest on long-term debt	(2,498)
Miscellaneous income	30,787
Change in meter deposits	1,832
Transfers in (out)	<u>(12,573)</u>
Net cash provided (used) by noncapital financing activities	<u>244,866</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(196,500)</u>
Net cash provided (used) by capital and related financing activities	<u>(196,500)</u>
Cash flows from investing activities:	
Interest income	<u>937</u>
Net cash provided by investing activities	<u>937</u>
Net increase (decrease) in cash and cash equivalents	<u>2,501</u>
Cash and cash equivalents, beginning of year	48,099
Prior period adjustment	<u>-</u>
Cash and cash equivalents in bank, end of year	17,154
Restricted cash	<u>33,446</u>
Total cash and cash equivalents, end of year	<u>\$ 50,600</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (118,686)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	63,810
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	3,391
Increase (Decrease) in accounts payable	<u>4,683</u>
Net cash provided (used) by operating activities	<u>\$ (46,802)</u>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Fiduciary Net Assets  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 956
Total assets	<u>\$ 956</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 956
Total liabilities	<u>\$ 956</u>

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

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## Notes to Financial Statements

## **Note 1 Summary of Significant Accounting Policies**

The financial statements of the Town of Tatum (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

### **A. Reporting Entity**

The Town has a five-member board of trustees; staggering positions expire each election. The financial statements of the Town of Tatum include the various departments, agencies, and organizational units under oversight of the council.

The town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB'S Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued I their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able is to impose its will on the organization
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Tatum has no component units.

The Town's financial statements are prepared in accordance with generally accepted accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for Establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

### **B. Basic financial statements-government-wide statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety (police and fire), streets, health and social services, culture-recreation, education, and general administrative services are classified as governmental activities. The Town's water, sewer solid waste services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource, basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property and sales taxes), and certain inter-governmental revenues (fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 as general revenues.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

#### C. Basic financial statements – fund financial statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

##### 1. Governmental Funds:

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 balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- a) General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b) Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Town reports the following major governmental funds:

- a) The general fund is 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.
- b) The public safety fund was established to account for revenues received from a grant which is restricted to law enforcement use.
- c) The fire protection fund was established to account for the operations of fighting fires in the community and surrounding areas.
- d) The streets and roads fund was established to account for the operations related to street and highway improvements.



## 2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- a) Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town reports the following major proprietary fund:

- a) The water fund was established to account for provisions of water, sewer, and sanitation services to the residents of the Town. All activities necessary to provide such services are accounted for in fund, including but not limited to, administration, operations and maintenance, financing and related debt service and billing collection.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses:

## 3. Fiduciary Funds:

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The Town's fiduciary fund is presented in the fiduciary fund financial statements. This fund accounts for the collection and payment to the State of New Mexico motor vehicle fees collected by the Town on the state's behalf. The funds cannot be used to address activities or obligations of the government. Therefore, the funds are not incorporated into the government-wide statements.

## D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various Financial Statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources: measurement focus or the "economic resources" measurement focus is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

#### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 30 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Property taxes, cigarette taxes, gas taxes, franchise fees, and sales tax associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognize as revenues of the current fiscal period. The government-wide full accrual basis property taxes receivable recognizes net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available.

Property taxes are levied and collected by the Lea County treasurer on behalf of the Town. The taxes are levied in November and payable in two installments, November 10<sup>th</sup> and April 10<sup>th</sup>. The county remits to the city a percentage of the collections made during the month. Taxes are considered delinquent and subject to lien, penalty and interest, 30 days after the date on which they are due.

#### E. Budgetary Control

Budgetary control is at the line item level. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to June 1, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at the Town Hall to obtain the taxpayer's input. Prior to July 1 of each year, the budget is legally enacted through a resolution.
2. The Town Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of the funds must be approved by the Town Council and New Mexico State Department of Finance, Division of Local Governments.
3. Budgeted amounts are as originally adopted or as amended by the Town Council and New Mexico State Department of Finance, Division of Local Governments. Individual amendments were not material in relation to the original appropriations, which were adopted.
4. Encumbrances are not reported in the budgets or financial statements.
5. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year, the accounting records are kept on a non-GAAP cash basis. Accordingly, revenues and the related assets are recorded when received and expenditures are recorded when paid. The budgetary comparisons are presented on non-GAAP budgetary basis and actual (cash basis).

#### F. Cash and Cash Equivalents

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand accounts and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include demand accounts only.

#### G. Accounts Receivable

Accounts receivable balances in the enterprise funds represent amounts due for water, sewer, and solid waste services and receivables in the governmental funds represent amounts due for sales tax, property taxes, franchise fees, etc. collected and due to the Town. Bad debt is reserved for in the financial statements when deemed necessary by management.

#### H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Town has not retroactively capitalized its governmental funds' infrastructure and has no plans to capitalize infrastructure in subsequent years.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	15-50 years
Equipment (including software)	5-25 years

The Town elected to report infrastructure prospectively beginning in the year 2004. The Town has not acquired any new infrastructure since this date.

*Fund financial statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable expendable available financial resources, while the proprietary funds report the liability as it is incurred.

J. Equity Classifications

Equity is classified as net assets in three components:

- a) Invested in capital assets, net of related debt; consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets -- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town first uses restricted resources then unrestricted resources.

*Fund statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designated funds are for subsequent year expenditures. Proprietary fund equity is classified the same as in the governmental-wide statements.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amount of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

L. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of compensated absences and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

M. Interfund receivables and payables

During the course of the operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and due from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. The purpose of the interfund transfers is to cover the temporary need for cash in a fund.

**Note 2 Cash and Cash Equivalents**

The collateral pledged is listed in the other supplemental data section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the Town. Time deposits, savings deposits and interest bearing Now accounts of a public unit in an institution in the same state will be insure up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town of Tatum does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$134,656 of the Town’s bank balance of \$776,348 was exposed to custodial credit risk.

	Western Commerce Bank	Lea County State Bank	Pioneer Bank	Bank of America	Total
Total amount on deposit on June 30, 2008	\$ 427,551	\$ 89,260	\$ 24,881	\$ 234,656	\$ 776,348
Less FDIC coverage	(130,806)	(89,260)	(24,881)	(100,000)	(344,947)
Total uninsured public funds	296,745	-	-	134,656	431,401
50% collateral requirement	148,373	-	-	67,328	215,701
Pledged collateral held by the pledging financial institution	682,204	76,039	-	-	758,243
Over (under) collateralized	\$ 533,832	\$ 76,039	\$ -	\$ (67,328)	\$ 542,543

**Note 3 Capital Assets**

Capital assets as of and for the year ended June 30, 2008, were as follows:

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 29,221	\$ -	\$ -	\$ 29,221
Total assets not being depreciated	\$ 29,221	\$ -	\$ -	\$ 29,221
Capital assets being depreciated				
Buildings and improvements	\$ 1,240,470	\$ -	\$ -	\$ 1,240,470
Equipment	888,051	-	-	888,051
Total assets being depreciated	2,128,521	-	-	2,128,521
Less accumulated depreciation				
Buildings and improvements	(179,739)	(27,024)	-	(206,763)
Equipment	(476,927)	(61,924)	-	(538,851)
Total accumulated depreciation	(656,666)	(88,948)	-	(745,614)
Total capital assets being depreciated, net	1,471,855	(88,948)	-	1,382,907
Governmental activity capital assets, net	\$ 1,501,076	\$ (88,948)	\$ -	\$ 1,412,128

STATE OF NEW MEXICO  
TOWN OF TATUM  
Notes to Financial Statements  
June 30, 2008

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in progress	998,795	196,500	-	1,195,295
	-	-	-	-
Total assets not being depreciated	<u>\$ 1,015,795</u>	<u>\$ 196,500</u>	<u>\$ -</u>	<u>\$ 1,212,295</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,172,614	\$ -	\$ -	\$ 1,172,614
Equipment	461,540	-	-	461,540
	-	-	-	-
Total assets being depreciated	<u>1,634,154</u>	<u>-</u>	<u>-</u>	<u>1,634,154</u>
Less accumulated depreciation				
Buildings and improvements	(794,443)	(34,159)	-	(828,602)
Equipment	(321,619)	(29,651)	-	(351,270)
	-	-	-	-
Total accumulated depreciation	<u>(1,116,062)</u>	<u>(63,810)</u>	<u>-</u>	<u>(1,179,872)</u>
	-	-	-	-
Total capital assets being depreciated, net	<u>518,092</u>	<u>(63,810)</u>	<u>-</u>	<u>454,282</u>
Governmental activity capital assets, net	<u>\$ 1,533,887</u>	<u>\$ 132,690</u>	<u>\$ -</u>	<u>\$ 1,666,577</u>
General government	\$ 23,948		Water management	\$ 63,810
Public safety	45,063			
Public works	6,259		Total depreciation expense	<u>\$ 63,810</u>
Culture and recreation	13,678			
	-			
Total depreciation expense	<u>\$ 88,948</u>			

**Note 4 Long Term Debt**

The Town's long-term debt is segregated between the amount to be repaid from governmental activities and amounts to be repaid from business-type activities. The general fund has typically been used in prior years to liquidate compensated absences.

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Accrued compensated absences	<u>\$ 10,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,210</u>
General Obligation Bonds	<u>\$ 10,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,210</u>

The entire balance of the above is considered current.

STATE OF NEW MEXICO  
TOWN OF TATUM  
Notes to Financial Statements  
June 30, 2008

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Note payable	\$ 46,435	\$ -	\$ (10,833)	\$ 35,602
Public Capital Corporation note payable, original issue amount \$56,769; dated November 1, 2005, interest rate 5.69% with final maturity dated October 1, 2010				
Accrued compensated absences	\$ 8,367	\$ -	\$ -	\$ 8,367
Totals	\$ 54,802	\$ -	\$ (10,833)	\$ 43,969

The current portion of the above note payable is \$11,262.

Debt service requirements at June 30, 2008 were as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 11,262	\$ 2,070	\$ 13,332
2010	11,917	1,415	13,332
2011	12,423	727	13,150
	\$ 35,602	\$ 4,212	\$ 39,814

**Note 5 PERA Retirement Plan**

The Town of Tatum does not participate in the State of New Mexico PERA retirement plan or any other retirement plan.

**Note 6 Retiree Healthcare Act Contributions**

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees. Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund a contribution equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus



basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990 or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, NM 87107.

For the year ended June 30, 2008, the Town remitted \$5,998 in employer contributions and \$2,999 in employee contributions to the Retiree Health Care Authority. The Town does not participate in PERA therefore they are not eligible to participate in RHC.

#### **Note 7 Risks of Loss**

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance with commercial carriers. The Town carries insurance for general and auto liability, workmen

compensation, employee liability and property. The General, Fire, and Enterprise funds pay premiums. Amounts of settlements have not exceeded insurance coverage in the past three years.

#### **Note 8 Risk Management**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The Town did not maintain records for grants received therefore, the liability cannot be determined.

#### **Note 9 Deferred Compensation**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are no employees that are making contributions to a Deferred Compensation Plan. Neither the Town of Tatum nor the State of New Mexico made any contributions to the Deferred Compensation Plan.

**Note 10 Interfund Transfers**

Interfund transfers reflect a temporary transfer of cash due to temporary needs within the fund. The composition of interfund transfers during the year ended June 30, 2008 is as follows:

Transferred In	Transferred Out	Amount
Senior Citizens	General	\$ 1,230
General	Water	12,573

**Note 11 Accounting Standards**

In August 2005, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for periods beginning after June 30, 2008. The Statement establishes uniform financial reporting standards for OPEB plans and superseded the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed in this Statement generally is consistent with the approach adopted in State No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, with modifications to reflect differences between pension plans and OPEB plans. The Town believes it will have no significant effect on the financial statements for the upcoming year.

In August 2005, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 is effective for financial statements for the periods beginning after June 30, 2008. This statement establishes standards for the measurement, recognition, and display of OPEB, expense/expenditures and related liabilities (assets), not disclosure, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Town believes it will have no significant effect on the financial statements for the upcoming year.

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues*. This statement is effective for financial statements for the periods beginning after December 15, 2006. This statement establishes the criteria that governments will use to determine whether the proceeds received from the sale or pledge of receivables and future revenue should be reported as revenue or as a liability. The transaction will be treated as collateralized borrowing unless the criteria indicating a sale has taken place are met. The statements stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The Town is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issues Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The Town believes it will have no significant effect on the financial statements for the upcoming year.

**Note 12 Change in Accounting Estimate**

During the 2005 Regular Legislative Session, the Legislature enacted HB 1074 amending Section 12-6-10 NMSA 1978, which changed the capitalization threshold for moveable chattel and equipment. The 2005 amendment, effective June 17, 2005, increases the value of state property that must be inventoried and listed from \$1,000 to \$5,000. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Only new items received after June 17, 2005 will be added to the inventory list if they meet the new capitalization threshold.

**Note 13 Insufficient Accounting Records**

The Town of Tatum does not maintain balanced double entry accounting records for any of its funds. The Town's used QuickBooks track of revenues and expenditures. There was numerous errors in the recording of revenues, expenditures, and expensed. Subsidiary ledgers for accounts payable, accounts receivable, compensated absences, long term debt or other accruals were not maintained for any fund. Because of the insufficient accounting records, in some instances, revenues and expenditures could not be traced back to original source documents. The Town also does not maintain a complete capital asset inventory or depreciation expense by fund. The Town also does not maintain subsidiary ledgers documenting liabilities due within one year or long-term liabilities. Also, the Town is unable to identify federal or state grant revenue and related expenditures.

**Note 14 Prior Period Adjustment**

The prior period's cash balance was increased \$215,360. The beginning cash for the following funds was adjusted. General \$205,360. Fire Protection (\$15,555), Environmental Gross Receipts \$5,041, Ambulance \$573, Senior Citizens \$35, and Cemetery \$20,035.

The Water Fund Net assets were increased \$174,749 to reflect an increase in capital assets.

## Other Supplementary Information Section

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Special Revenue Funds:

Detention Fund

Accounts for the operations of the detention facility. (NMSA 33-3-25)

Environmental Gross Receipts Fund

Accounts for revenue received from environmental gross receipts tax, which is restricted to solid waste use. (NMSA 7-19D-10)

Ambulance Fund

Accounts for ambulance services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund. Financing is provided primarily by state and county grants. (NMSA 24-10A-1 and 24-10A-10)

Law Enforcement Protection Fund

Accounts for funds received from the State of New Mexico for law enforcement. (NMSA 29-13-3)

Recreation Fund

Accounts for revenue received from cigarette and franchise tax and community building rent to be used for the operations of maintain parks, community buildings and other recreational areas.

Senior Citizens Fund

Accounts for the operations of senior citizen activities. (NMSA 9-2-5 through 9-2-19)

Special Building Fund

Accounts for revenue received from a federal CRO/HUD grant, which is to be used to complete the building of a grocery store. (City Resolution)

Cemetery Fund

Accounts for the collection of burial permits, lot sales and donations and the operations and maintenance of the cemetery. (NMSA 3-40-1)

STATE OF NEW MEXICO  
TOWN OF TATUM

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2008

	Detention 201	Environmental Gross Receipts 202	Ambulance County & State 206	Law Enforcemen Protection 211
<b>ASSETS</b>				
Cash in banks	\$ 5,017	\$ 17,845	\$ 30,791	\$ -
Accounts receivable	-	-	-	-
Due from other funds	-	5,631	-	-
Total assets	<u>\$ 5,017</u>	<u>\$ 23,476</u>	<u>\$ 30,791</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	487	-	682	-
Accrued payroll	-	-	348	-
Total liabilities	<u>487</u>	<u>-</u>	<u>1,030</u>	<u>-</u>
<b>FUND BALANCE</b>				
Unreserved:				
Designated for subsequent years expenditures	<u>4,530</u>	<u>23,476</u>	<u>29,761</u>	<u>-</u>
Total fund balance	<u>4,530</u>	<u>23,476</u>	<u>29,761</u>	<u>-</u>
Total liabilities and fund bala	<u>\$ 5,017</u>	<u>\$ 23,476</u>	<u>\$ 30,791</u>	<u>\$ -</u>

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

Recreation & 2% Special Recreation 217	Senior Citizens 219	Special Building 300	Cemetery 600	Totals
\$ 10,031	\$ 13,084	\$ 12,737	\$ 47,781	\$ 137,286
-	-	-	-	-
-	-	-	-	5,631
<u>\$ 10,031</u>	<u>\$ 13,084</u>	<u>\$ 12,737</u>	<u>\$ 47,781</u>	<u>\$ 142,917</u>
3,258	-	-	30	4,457
-	1,687	-	127	2,162
<u>3,258</u>	<u>1,687</u>	<u>-</u>	<u>157</u>	<u>6,619</u>
6,773	11,397	12,737	47,624	136,298
6,773	11,397	12,737	47,624	136,298
<u>\$ 10,031</u>	<u>\$ 13,084</u>	<u>\$ 12,737</u>	<u>\$ 47,781</u>	<u>\$ 142,917</u>



STATE OF NEW MEXICO  
TOWN OF TATUM

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2008

	Detention 201	Environmental Gross Receipts 202	Ambulance County & State 206	Law Enforcemen Protection 211
Revenues:				
Taxes	\$ -	\$ 3,739	\$ -	\$ -
Charges of services	13,630	-	29,753	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	61,995
Interest income	-	-	-	199
Intergovernmental	-	-	10,000	66,732
Lot sales	-	-	-	-
Unidentifiable receipts	<u>(1,107)</u>	<u>6,685</u>	<u>10,087</u>	<u>(105,326)</u>
Total revenues	<u>12,523</u>	<u>10,424</u>	<u>49,840</u>	<u>23,600</u>
Expenditures:				
Current:				
Public safety	21,097	-	33,971	189,009
Public works	-	6,431	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	<u>-</u>	<u>-</u>	<u>2,932</u>	<u>(165,267)</u>
Total expenditures	<u>21,097</u>	<u>6,431</u>	<u>36,903</u>	<u>23,742</u>
Excess (deficiency) of revenues over expenditures	(8,574)	3,993	12,937	(142)
Other financing sources (uses):				
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(8,574)	3,993	12,937	(142)
Fund balances, beginning	13,104	14,442	16,251	142
Prior period adjustment	<u>-</u>	<u>5,041</u>	<u>573</u>	<u>-</u>
Fund balances, beginning restated	<u>13,104</u>	<u>19,483</u>	<u>16,824</u>	<u>142</u>
Fund balances, ending	<u>\$ 4,530</u>	<u>\$ 23,476</u>	<u>\$ 29,761</u>	<u>\$ -</u>

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

Recreation & 2% Special Recreation 217	Senior Citizens 219	Special Building 300	Cemetery 600	Totals
\$ 6,806	\$ -	\$ -	\$ -	\$ 10,545
3,946	-	3,700	187	51,216
-	-	-	-	-
1,552	2,953	-	1,370	67,870
-	-	-	-	199
-	74,875	-	-	151,607
-	-	-	4,925	4,925
<u>4,296</u>	<u>611</u>	<u>70</u>	<u>2,135</u>	<u>(82,549)</u>
<u>16,600</u>	<u>78,439</u>	<u>3,770</u>	<u>8,617</u>	<u>203,813</u>
-	-	-	-	244,077
-	-	-	8,154	14,585
13,470	75,609	-	-	89,079
-	-	-	-	-
-	-	-	-	-
<u>3,402</u>	<u>(210)</u>	<u>-</u>	<u>2,183</u>	<u>(156,960)</u>
<u>16,872</u>	<u>75,399</u>	<u>-</u>	<u>10,337</u>	<u>190,781</u>
(272)	3,040	3,770	(1,720)	13,032
<u>-</u>	<u>1,230</u>	<u>-</u>	<u>-</u>	<u>1,230</u>
<u>-</u>	<u>1,230</u>	<u>-</u>	<u>-</u>	<u>1,230</u>
(272)	4,270	3,770	(1,720)	14,262
7,045	7,092	8,967	29,309	96,352
-	35	-	20,035	25,684
<u>7,045</u>	<u>7,127</u>	<u>8,967</u>	<u>49,344</u>	<u>122,036</u>
<u>\$ 6,773</u>	<u>\$ 11,397</u>	<u>\$ 12,737</u>	<u>\$ 47,624</u>	<u>\$ 136,298</u>

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Detention Fund - 201  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	8,854	17,859	13,630	(4,229)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	(1,107)	(1,107)
<b>Total revenues</b>	<b>8,854</b>	<b>17,859</b>	<b>12,523</b>	<b>(5,336)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	7,280	20,610	20,610	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
<b>Total expenditures</b>	<b>7,280</b>	<b>20,610</b>	<b>20,610</b>	<b>-</b>
Excess (deficiency) revenues over (under) expenditures	1,574	(2,751)	(8,087)	(5,336)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	(1,574)	2,751	-	(2,751)
<b>Total other financing sources (uses)</b>	<b>(1,574)</b>	<b>2,751</b>	<b>-</b>	<b>(2,751)</b>
Net change in fund balances	-	-	(8,087)	(8,087)
Cash balance, beginning of year	-	-	13,104	13,104
Prior period adjustment	-	-	-	-
Cash balance, beg of year restated	-	-	13,104	13,104
Cash balance, end of year	\$ -	\$ -	\$ 5,017	\$ 5,017
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (8,087)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(487)	
Net change in fund balance (GAAP Basis)			\$ (8,574)	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Environmental Gross Receipts Fund - 202  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 14,103	\$ 14,103	\$ 4,605	\$ (9,498)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
In / out income	-	-	6,685	6,685
Total revenues	<u>14,103</u>	<u>14,103</u>	<u>11,290</u>	<u>(2,813)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	14,103	14,103	6,431	7,672
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>14,103</u>	<u>14,103</u>	<u>6,431</u>	<u>7,672</u>
Excess (deficiency) revenues over (under) expenditures	-	-	4,859	4,859
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	4,859	4,859
Cash balance, beginning of year	-	-	7,945	7,945
Prior period adjustment	-	-	5,041	5,041
Cash balance, beginning of year restated	-	-	<u>12,986</u>	<u>12,986</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,845</u>	<u>\$ 17,845</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,859	
Adjustment to revenues for accruals and other deferrals			(866)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 3,993</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Ambulance Fund - 206  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	7,000	7,000	29,753	22,753
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	10,000	10,000
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	10,087	10,087
<b>Total revenues</b>	<b>7,000</b>	<b>7,000</b>	<b>49,840</b>	<b>42,840</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	7,000	7,090	33,289	(26,199)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	2,932	(2,932)
<b>Total expenditures</b>	<b>7,000</b>	<b>7,090</b>	<b>36,221</b>	<b>(29,131)</b>
Excess (deficiency) revenues over (under) expenditures	-	(90)	13,619	13,709
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	-	90	-	(90)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>(90)</b>
Net change in fund balances	-	-	13,619	13,619
Cash balance, beginning of year	-	-	16,599	16,599
Prior period adjustment	-	-	573	573
Cash balance, beginning of year restated	-	-	17,172	17,172
Cash balance, end of year	\$ -	\$ -	\$ 30,791	\$ 30,791
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 13,619	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(682)	
Net change in fund balance (GAAP Basis)			\$ 12,937	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Law Enforcement Protection Fund - 209  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	61,995	61,995
Interest income	-	-	199	199
Intergovernmental	23,000	23,000	66,732	43,732
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	(105,326)	(105,326)
<b>Total revenues</b>	<b>23,000</b>	<b>23,000</b>	<b>23,600</b>	<b>600</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	23,000	23,000	189,009	(166,009)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	(165,267)	165,267
<b>Total expenditures</b>	<b>23,000</b>	<b>23,000</b>	<b>23,742</b>	<b>(742)</b>
Excess (deficiency) revenues over (under) expenditures	-	-	(142)	(142)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	(142)	(142)
Cash balance, beginning of year	-	-	142	142
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	142	142
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (142)	
Adjustment to revenues for accruals and other deferrals				
Adjustment to expenditures for payables, prepaids and other accruals				
Net change in fund balance (GAAP Basis)			\$ (142)	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Recreation and 2% Special Recreation Fund - 217  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,828	\$ 3,828	\$ 6,893	\$ 3,065
Charges for services	-	-	3,946	3,946
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	1,552	1,552
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	4,296	4,296
<b>Total revenues</b>	<b>3,828</b>	<b>3,828</b>	<b>16,687</b>	<b>12,859</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	5,047	5,047	14,662	(9,615)
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	3,402	(3,402)
<b>Total expenditures</b>	<b>5,047</b>	<b>5,047</b>	<b>18,064</b>	<b>(13,017)</b>
Excess (deficiency) revenues over (under) expenditures	(1,219)	(1,219)	(1,377)	(158)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(1,219)</b>	<b>(1,219)</b>	<b>(1,377)</b>	<b>(158)</b>
Cash balance, beginning of year	-	-	11,408	11,408
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	11,408	11,408
Cash balance, end of year	\$ (1,219)	\$ (1,219)	\$ 10,031	\$ 11,250
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,377)	
Adjustment to revenues for accruals and other deferrals			(87)	
Adjustment to expenditures for payables, prepaids and other accruals			1,192	
Net change in fund balance (GAAP Basis)			\$ (272)	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Senior Citizens Fund - 219  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	2,953	2,953
Interest income	-	-	-	-
Intergovernmental	79,086	100,211	74,875	(25,336)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	611	611
<b>Total revenues</b>	<b>79,086</b>	<b>100,211</b>	<b>78,439</b>	<b>(21,772)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	79,283	79,283	75,609	3,674
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	(210)	210
<b>Total expenditures</b>	<b>79,283</b>	<b>79,283</b>	<b>75,399</b>	<b>3,884</b>
Excess (deficiency) revenues over (under) expenditures	(197)	20,928	3,040	(17,888)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	1,230	1,230
Designated cash	197	(20,928)	-	20,928
<b>Total other financing sources (uses)</b>	<b>197</b>	<b>(20,928)</b>	<b>1,230</b>	<b>22,158</b>
Net change in fund balances	-	-	4,270	4,270
Cash balance, beginning of year	-	-	8,779	8,779
Prior period adjustment	-	-	35	35
Cash balance, beginning of year restated	-	-	8,814	8,814
Cash balance, end of year	\$ -	\$ -	\$ 13,084	\$ 13,084
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,270	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 4,270	

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



STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Special Building Fund - 300  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	3,700	3,700
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	450,000	450,000	-	(450,000)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	70	70
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>3,770</u>	<u>(446,230)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	450,000	450,000	-	450,000
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Excess (deficiency) revenues over (under) expenditures	-	-	3,770	3,770
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	3,770	3,770
Cash balance, beginning of year	-	-	8,967	8,967
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>8,967</u>	<u>8,967</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,737</u>	<u>\$ 12,737</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,770	
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>\$ 3,770</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Special Revenue Fund - Cemetery Fund - 600  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	187	187
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	1,370	1,370
Interest income	-	-	-	-
Intergovernmental	59,561	184,772	-	(184,772)
Lot sales	-	-	4,925	4,925
Unidentifiable receipts	-	-	2,135	2,135
Total revenues	<u>59,561</u>	<u>184,772</u>	<u>8,617</u>	<u>(176,155)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	8,124	(8,124)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	2,183	(2,183)
Total expenditures	<u>-</u>	<u>-</u>	<u>10,307</u>	<u>(10,307)</u>
Excess (deficiency) revenues over (under) expenditures	59,561	184,772	(1,690)	(186,462)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>(59,561)</u>	<u>(184,772)</u>	<u>-</u>	<u>184,772</u>
Total other financing sources (uses)	<u>(59,561)</u>	<u>(184,772)</u>	<u>-</u>	<u>184,772</u>
Net change in fund balances	-	-	(1,690)	(1,690)
Cash balance, beginning of year	-	-	29,436	29,436
Prior period adjustment	-	-	20,035	20,035
Cash balance, beginning of year restated	-	-	49,471	49,471
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,781</u>	<u>\$ 47,781</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,690)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(30)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (1,720)</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Enterprise Funds - Water Fund - 500  
Statement of Revenues, Expenses, and Changes in Cash Balance  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Sales and services	\$ 50,000	\$ 72,740	\$ 74,915	\$ 2,175
Reconnection fees	5,000	5,000	3,440	(1,560)
Penalty charges	5,000	5,000	3,565	(1,435)
Garbage	136,653	121,774	121,459	(315)
Gross receipts tax	48,543	48,543	57,625	9,082
Tax on services	12,000	12,000	11,524	(476)
<b>Total revenue</b>	<b>257,196</b>	<b>265,057</b>	<b>272,528</b>	<b>7,471</b>
<b>Expenses:</b>				
<b>Current:</b>				
<b>Water and sewer:</b>				
Payroll	125,000	138,424	138,424	-
Travel and training	-	-	2,158	(2,158)
Contractual services	157,393	194,137	37,671	156,466
Insurance	-	-	44,827	(44,827)
Supplies	-	-	32,662	(32,662)
Other operating costs	-	-	63,588	(63,588)
Capital outlay	-	-	196,500	(196,500)
<b>Total expenses</b>	<b>282,393</b>	<b>332,561</b>	<b>515,830</b>	<b>(183,269)</b>
<b>Excess (deficiency) revenues over expense</b>	<b>(25,197)</b>	<b>(67,504)</b>	<b>(243,302)</b>	<b>(175,798)</b>
<b>Other financing sources (uses):</b>				
Water Sys Improvement CDBG grant	80,000	103,500	238,151	134,651
Interest income	-	-	937	937
Miscellaneous	-	-	458	458
Unidentifiable receipts	-	-	29,158	29,158
Interest expense	-	-	(2,498)	(2,498)
Principal payment	-	-	(10,833)	(10,833)
Unidentifiable expenditures	-	-	1,171	1,171
Change in meter deposits	-	-	1,832	1,832
Operating transfers	-	-	(12,573)	(12,573)
<b>Total other financing sources (use)</b>	<b>80,000</b>	<b>103,500</b>	<b>245,803</b>	<b>142,303</b>
<b>Net change in fund balance</b>	<b>54,803</b>	<b>35,996</b>	<b>2,501</b>	<b>(33,495)</b>

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Enterprise Funds - Water Fund - 500  
Statement of Revenues, Expenses, and Changes in Cash Balance  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		
Cash balance, beginning of year	-	-	48,099	48,099
Prior period adjustment	-	-		-
Cash balance, beg of year restated	-	-	48,099	48,099
Cash balance, end of year	<u>\$ 54,803</u>	<u>\$ 35,996</u>	<u>\$ 50,600</u>	<u>\$ 14,604</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,501	
Adjustment to revenues for accruals and other deferrals			(3,391)	
Adjustment to expenditures for payables, prepaids and other accruals			170,066	
Net change in fund balance (GAAP Basis)			<u>\$ 169,176</u>	

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

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## Other Supplemental Data

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STATE OF NEW MEXICO  
TOWN OF TATUM

Agency Funds  
Statement of Changes in Assets and Liabilities  
June 30, 2008

	<u>Beginning of Year Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year Balance</u>
<u>Assets</u>				
Cash and cash equivalents:	\$ <u>1,669</u>	\$ <u>4,866</u>	\$ <u>(5,579)</u>	\$ <u>956</u>
	\$ <u>1,669</u>	\$ <u>4,866</u>	\$ <u>(5,579)</u>	\$ <u>956</u>
<u>Liabilities</u>				
Deposits held for others	\$ <u>1,669</u>	\$ <u>4,866</u>	\$ <u>(5,579)</u>	\$ <u>956</u>

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



STATE OF NEW MEXICO  
TOWN OF TATUM

Schedule of Depository Collateral  
For the year ended June 30, 2008

	<u>Western Commerce Demand</u>	<u>Western Commerce Time</u>	<u>Lea County State Demand</u>	<u>Lea County State Time</u>
Total amount in bank	\$ 396,745	\$ 30,806	\$ 52,002	\$ 37,258
Less: FDIC Insurance	<u>(100,000)</u>	<u>(30,806)</u>	<u>(52,002)</u>	<u>(37,258)</u>
Total uninsured public funds	296,745	-	-	-
50% collateral requirement	148,373	-	-	-
Pledged security	<u>682,204</u>	<u>-</u>	<u>76,039</u>	<u>-</u>
Over (under) collateralized	<u>\$ 533,832</u>	<u>\$ -</u>	<u>\$ 76,039</u>	<u>\$ -</u>

	<u>Type</u>	<u>Security Number</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>
Western Commerce Bank	Bond	FHLMC #420196	Not provided	11-01-2030
	Bond	FHLMC # IG0083	Not provided	03-01-1935
	Bond	GNMA # 8004B	Not provided	07-20-2022
	Bond	GNMA #80391	Not provided	04-20-2030
	Bond	FNMA #770744	Not provided	04-01-2034
Lea County State Bank	Bond	Mesa Vista ISD 4%		10-01-2011

The pledged collateral above is not held in trust for the Town of Tatum in the Town's name at Western Commerce Bank and Lea County State Bank

Pioneer Time	Bank of America Time	Total
\$ 24,881 (24,881)	\$ 234,656 (100,000)	\$ 776,348 (344,947)
-	134,656	431,401
-	67,328	215,701
-	-	758,243
\$ -	\$ (67,328)	\$ 542,543

FMV

\$ 8,917
128,867
22,624
29,562
492,234
682,204
76,040
\$ 758,244

STATE OF NEW MEXICO  
TOWN OF TATUM

Bank Reconciliation - All Accounts  
For the year ended June 30, 2008

Town of Tatum	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>
Cash and cash equivalents				
General	\$ 90,535	\$ 1,109,075	\$ 955,101	\$ 11,343
Fire Protection County and State	160,066	94,408	168,868	-
Municipal Streets / Roads	906	660,872	660,872	-
Public Safety	17,073	131,812	111,862	-
Detention	13,104	12,523	20,610	-
Environmental Gross Receipts Tax	7,945	11,290	6,431	-
Ambulance	16,599	49,840	36,221	-
Law Enforcement Protection	142	23,600	23,742	-
Recreation and 2% Special Recreation	6,958	11,737	14,014	-
Senior Citizens	8,779	78,439	75,399	1,230
Special Building	8,967	3,770		-
Cemetery	29,436	8,617	10,307	
Water	<u>16,485</u>	<u>540,889</u>	<u>527,647</u>	<u>(12,573)</u>
Total Town of Tatum	<u>376,995</u>	<u>2,736,872</u>	<u>2,611,074</u>	<u>-</u>
Town of Tatum				
Restricted cash				
Recreation and 2% Special Recreation	4,450	4,950	4,050	-
Water	<u>31,614</u>	<u>2,175</u>	<u>343</u>	<u>-</u>
	<u>36,064</u>	<u>7,125</u>	<u>4,393</u>	<u>-</u>
	 <u>\$ 413,059</u>	 <u>\$ 2,743,997</u>	 <u>\$ 2,615,467</u>	 <u>\$ -</u>

<u>Net Cash</u> <u>End of Period</u>	<u>Adjustments</u> <u>to the Report</u>	<u>Total Cash</u> <u>on Report</u>
\$ 255,852	\$ 205,231	\$ 461,083
85,606	(15,555)	70,051
906	-	906
37,023	-	37,023
5,017	-	5,017
12,804	5,041	17,845
30,218	573	30,791
-	-	-
4,681	-	4,681
13,049	35	13,084
12,737	-	12,737
27,746	20,035	47,781
17,154	-	17,154
<u>502,793</u>	<u>215,360</u>	<u>718,153</u>
5,350	-	5,350
<u>33,446</u>	<u>-</u>	<u>33,446</u>
<u>38,796</u>	<u>-</u>	<u>38,796</u>
<u>\$ 541,589</u>	<u>\$ 215,360</u>	<u>\$ 756,949</u>

STATE OF NEW MEXICO  
TOWN OF TATUM

Bank Reconciliation - All Accounts  
For the year ended June 30, 2008

<u>Account name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Town of Tatum			
General	Checking	Western Commerce	\$ 211,976
Fire Protection State	Checking	Western Commerce	18,869
Municipal Streets / Roads	Checking	Western Commerce	906
Public Safety	Checking	Western Commerce	38,663
Detention	Checking	Western Commerce	10,403
Environmental Gross Receipts Tax	Checking	Western Commerce	10,756
Ambulance	Checking	Western Commerce	29,455
Ambulance	Checking	Western Commerce	3,850
Law Enforcement Protection	Checking	Western Commerce	3,772
Recreation	Checking	Western Commerce	2,574
Recreation Special	Checking	Western Commerce	2,507
Recreation Deposit	Checking	Western Commerce	5,800
Senior Citizens	Checking	Western Commerce	13,845
Special Building	Checking	Western Commerce	12,737
Cemetery	Checking	Western Commerce	4,913
Water	Checking	Western Commerce	7,446
Water System Improvements	Checking	Western Commerce	9,707
Water System Improvements Phase III	Checking	Western Commerce	1
Water Meter Deposits	Checking	Western Commerce	8,565
Certificate of Deposit	CD	Western Commerce	7,089
Certificate of Deposit	CD	Western Commerce	23,717
Total Western Commerce Bank			<u>427,551</u>
Fire Protection County	Checking	Lea County State	52,002
Certificate of Deposit	CD	Lea County State	19,151
Certificate of Deposit	CD	Lea County State	18,107
Total Lea County State Bank			<u>89,260</u>
Certificate of Deposit	CD	Pioneer	8,881
Certificate of Deposit	CD	Pioneer	16,000
Total Pioneer Bank			<u>24,881</u>
Certificate of Deposit	CD	Bank of America	30,185
Certificate of Deposit	CD	Bank of America	51,013
Certificate of Deposit	CD	Bank of America	153,458
Total Bank of America			<u>234,656</u>
Total Town of Tatum			<u>\$ 776,348</u>
Total bank balances			\$ 776,348
Reconciling items			<u>(19,399)</u>
Report balance			<u>\$ 756,949</u>

STATE OF NEW MEXICO  
TOWN OF TATUM

Schedule of Joint Powers Agreements  
For the year ended June 30, 2008

Lea County Water Users Association - Joint Powers Agreement

Participants:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jal City of Eunice
Responsible party:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jal City of Eunice
Description:	To create the Lea County Water Users Association		
Dates of agreement:	Beginning Ending	11-18-1997 Automatic renewal of two years	
Estimated amount of project:	\$ 240,000		
Agency contribution	4.20%		
Fiscal agent:	Lea County		
Audit responsibility:	Water User Board		

Lea County Solid Waste Authority - Joint Powers Agreement

Participants:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jal City of Eunice
Responsible party:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jal City of Eunice
Description:	To create the Lea County Solid Waste Authority		
Dates of agreement:	Beginning Ending	12-12-1994 Automatic renewal of two years	
Estimated amount of project:	Unknown		
Agency contribution	The Town of Tatum's cost of trash removal		
Fiscal agent:	Lea County		
Audit responsibility:	Solid Waste Authority		

STATE OF NEW MEXICO  
TOWN OF TATUM

Schedule of Joint Powers Agreements  
For the year ended June 30, 2008

Region VI Drug Task Force - Joint Powers Agreement

Participants:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jalisco City of Eunice
Responsible party:	Town of Tatum Lea County	City of Hobbs City of Lovington	City of Jalisco City of Eunice
Description:	To create the Region VI Drug Task Force		
Dates of agreement:	Beginning Ending	03-06-2003 Automatic renewal of one year	
Estimated amount of project:	Unknown		
Agency contribution	One representative to serve on the Task Force Board of Directors		
Fiscal agent:	Lea County		
Audit responsibility:	Region VI Drug Task Force		

STATE OF NEW MEXICO  
TOWN OF TATUM

Schedule of Memorandums of Understanding  
For the year ended June 30, 2008

Vikki Bell - Memorandum of Understanding

Participants:	Lea County Municipalities Vikki Bell
Responsible party:	Lea County
Description:	Professional services contract
Dates of agreement:	Beginning 07-01-2004 Ending 06-30-07 unless extended by parties
Estimated amount of project:	Unknown
Agency contribution	N/A
Fiscal agent:	Lea County
Audit responsibility:	Lea County



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Governmental Auditing Standards Report



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*

To the Honorable Mayor, Town Council,  
The Town of Tatum  
And  
Hector Balderas, CGFM  
New Mexico State Auditor

I was engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund and the respective budgetary comparisons, and the aggregate remaining fund information of the State of New Mexico, Town of Tatum (the "Town") as of and for the year ended June 30, 2008, and have issued my report thereon dated December 1, 2010. I were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds and all the budgetary comparisons presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. I do not express an opinion on the financial statements of the governmental activities, the business-type activities, each major fund including budget comparisons, and the aggregate remaining fund information as well as the nonmajor governmental funds and individual fund financial statements. As discussed in Note 13, the Town of Tatum does not keep a double entry set of accounting records, so therefore, I was unable to apply 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.

#### Internal Control over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

To the Honorable Mayor, Town Council,  
The Town of Tatum  
And  
Hector Balderas, CGFM  
New Mexico State Auditor  
Page 2

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 08-1 and 08-9.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 08-2, 08-3, 08-4, 08-7, 08-9, and 08-10 to be material weaknesses.

#### 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 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 08-2, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, and 08-10.

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

This report is intended solely for the information and use of management, Town of Tatum, the State Auditor, New Mexico State Legislature, the New Mexico Department of Finance and Administration, the cognizant audit agency, and other federal audit agencies, and is not intended to be, and should not be used by anyone other than these specified parties.



Sandra Rush, CPA

December 1, 2010

## **A. Findings – Financial Statement Audit**

### 08-1 Capital Asset Listing

#### Condition

The Town does not have a formal capital assets management policy. For the year ended June 30, 2008, the Town had not maintained a capital asset listing that was reconciled to the general ledger and was not in compliance with the GASB 34. The Town hired a third party to develop a capital asset list, however the list was not reconciled to the general ledger, or historical cost records.

#### Criteria

The State Audit Act, 12-6-10 NMSA 1978 requires that the Town of Tatum prepare and maintain an accurate listing of fixed assets. The Town must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and NMSA 1978 Section 12-2-10.

#### Cause

There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. Further, the Town did not have a system in place to track capital asset additions and deletions and to calculate and account for depreciation and accumulated depreciation. The Town did hire an outside firm to tag and list the capital assets. However the list does not indicate which fund purchased the asset or which function the depreciation is charged to.

#### Effect

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to lack of information that is being maintained. As a result, the financial statements of the Town will be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

#### Recommendation

The Town must conduct a physical inventory of its capital assets in accordance with its capitalization policy and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the Town in the determination of obsolete equipment. Finally, a complete capital assets inventory listing will be required to be completed by the Town in order to be in compliance with GASB 34.

I recommend that the Town of Tatum implement procedures to ensure that all capital assets are accounted for in the inventory listing. The Town should reconcile the capital asset list compiled by a third party to the general ledger and historical cost records.

#### Agency response

None provided

## 08-2 Accounting System

### Condition

During the test work, it was determined that the accounting records were not sufficient to provide reasonable assurance the financial statements are free of material misstatements. The Town entered checks and deposits into QuickBooks. They also hired a third party to reconcile the bank accounts. The bank account reconciliations had corrections that needed to be made, but the Town did not make the corrections. Also the test work revealed revenue recorded as expenditures, and expenditures recorded as revenue. Transfers were recorded as revenue and expenditures. Also, revenues and expenditures were reported in the wrong fund.

### Criteria

6-6-3 of the NMSA 1978 states that every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.

### Cause

As of June 30, 2008 and through the date of fieldwork, the Town had not reviewed and corrected errors in the QuickBooks.

### Effect

As a result of the insufficient accounting system, the Town was unable to produce timely and reliable accounting information for its users. The users of the financial statements, such as legislators, creditors, bond holders, state and federal grantors, etc. do not have timely audit reports and financial statements for review. This could affect state and federal funding for the Town.

### Recommendation

Management should develop procedures that assure all financial transactions are recorded accurately and the financial statements and disclosures reflect the financial position of the entities in conformity with accounting principles generally accepted in the United States of America.

### Agency response

None provided

08-3 Record Keeping

Condition

The Town of Tatum's general ledger was not inclusive of all activity. Specifically, the certificates of deposits were not included in the QuickBooks general ledger.

Criteria

6-6-3 of the NMSA 1978 states that every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.

Cause

The certificates of deposit were not recorded in QuickBooks.

Effect

The Town of Tatum's financial statements may not reflect all activity and balances.

Recommendation

I recommend that the Town of Tatum implement procedures to ensure that all activity that the Town is responsible for is properly recorded in the general ledger and subject to the control of the Town Treasurer.

Agency response

None provided



#### 08-4 Deficiencies in Internal Control over Financial Statements

##### Condition

Financial statements and related footnote disclosures were not prepared by the Town.

##### Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

##### Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, and entity's ability to prevent or detect a misstatement in its financial statements is limited.

##### Cause

The Town's personnel have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

##### Recommendation

I recommend the Town's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies
  1. Governmental Accounting Standards Board (GASB)
  2. Generally Accepted Accounting Principles (specifically as applied to governmental units)
  3. Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's Discussion and Analysis
- Supplementary information required by the Office of the State Auditor

In addition, I recommend the Town develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

##### Agency response

None provided

08-5 Expenditures Exceeded Budget

Criteria

State budgeting requirement 6-20-2.9 NMSA 1978 sets forth budget preparation standards and states that budget control shall be at the function level and that over-expenditure of a function shall not be allowed.

Cause

The Town was unable to provide the original budget or the subsequent amendments. Therefore it was unable to document the budget was complied with, and expenditures did not exceed the budget.

Effect

The Town is in violation of the law which requires each fund to disburse money for a specific purpose in accordance with their budget. This could affect state and federal funding for the Town.

Recommendation

The Town should perform a periodic review of the budget and maintain a complete set of books. Any anticipated budgetary transfers can be isolated and authorization can be obtained before the overspending of line item expenditures occurs.

Agency response

None provided

08-6 Audit Report Filed Late

Condition

The June 30, 2008 audit report was sent to the State Auditor's office in December of 2010 which was not timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 1 of the fiscal year audited.

Cause

As of June 30, 2008, the Town had installed QuickBooks and entered deposits and checks. However the records were not reviewed and errors corrected. The QuickBooks for each fund was provided which contained numerous errors the Town had not corrected.

Effect

The Town is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2008.

Recommendation

The Town needs to review the QuickBooks and correct all errors.

Agency response

None provided

08-7 Payroll and Sales Tax Reports Filed Late

Condition

The following payroll reports were filed after their due dates:

- All twelve (12) CRS-1 reports for gross receipts tax and state income tax withholding tax.
- ES-903A for state unemployment tax for the 3<sup>rd</sup> quarter of 2007 and 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2008.
- Form 941 for FICA and federal income tax withholding for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2007 and 1<sup>st</sup> quarter of 2008.

Criteria

According to the CRS-1 filer's kit issued by the New Mexico Taxation and Revenue Department, CRS-1 forms must be filed with payment due by the 25<sup>th</sup> of the month following the month being reported.

The tax section of the Unemployment Insurance Bureau under the New Mexico Department of Workforce Solutions enforces the payment of unemployment insurance by employers through the filing of form ES-903A which is required to be filed by the last day of the month following the end of a quarter.

According to Circular E issued by the Internal Revenue Service, Form 941 is due by the last day of the month following the end of a quarter.

Cause

The Town's payroll records were not sufficient to file the reports timely.

Effect

The Town is not in compliance with federal and state laws which specify certain due dates for payroll and sales tax reports. Thus, the Town would have to pay penalties and interest for late reports and payments.

Recommendation

The Town needs to have payroll records that facilitate the preparation of quarterly payroll reports, which are filed timely.

Agency response

None provided

08-8 Mileage Reimbursement Payments Exceeded Limit

Condition

The Town was reimbursing employees thirty-five cents per mile for travel in a privately owned vehicle when the travel was required for official duties.

Criteria

According to the Per Diem and Mileage Act, Section 10-8-4D of the NMSA 1978, public officers or employees are to be paid thirty-two cents for each mile traveled in a privately owned vehicle if the travel is required for official duties.

Cause

The Town was unaware of the mileage reimbursement requirements of the Per Diem and Mileage Act.

Effect

The Town is not in compliance with the Per Diem and Mileage Act of the New Mexico State Statutes. The Town overpaid its employees for travel.

Recommendation

The Town needs to review applicable New Mexico State Statutes and annually check for amendments to those statutes.

Agency response

None provided

08-9 Internal Controls

Condition

The Town does not have a comprehensive documented internal control structure. The Internal control structure should include controls that the governing body is required to exercise effective oversight of the internal control and financial reporting processing.

Criteria

As required by NMSA 1978 Section 6-6-3, the Town should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Under SAS 112, the internal control and financial reporting process should have adequate oversight provided by body charged with governance.

Cause

For the fiscal year 2008 management and staff did not have expertise and/or training to implement an adequate internal control structure. The Body charged with governance was unaware of requirements under SAS 112 to provide effective oversight of internal control and financial reporting processing.

Effect

Because there is not an adequate internal control structure or oversight by governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Recommendation

The Town should ensure that a comprehensive internal control structure is designed, documented and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Agency response

None provided

08-10 Lack of Grant Monitoring

Condition

The Town did not adequately monitor its federal and/or state grant activity during the fiscal year. Grant files, documents and transactions were unavailable to audit.

Criteria

The Town should have an internal control process in place to monitor grant activity on a regular basis to ensure compliance with grant requirements.

Effect

Noncompliance with grant requirements could result in disallowed costs. The Town could also have to repay grant funds to the awarding agency.

Cause

Management and staff lack the training to monitor federal and/or state grants.

Recommendation:

I recommend that the Town implement a monitoring process over its grant activities. This process should include the maintenance of grant files, including supporting documentation for transactions, such as draw downs requests to demonstrate compliance with grant requirements. The Town should also hire a grant administrator, or train an employee on grant management.

Agency response

None provided

## B. Findings – Prior Year Audit

<u>Prior Number</u>	<u>Condition</u>	<u>Current Year Status</u>	<u>Current Number</u>
06-1	Capital Asset Listing	Revised and repeated in current year	08-1
06-2	Accounting System	Revised and repeated in current year	08-2
06-3	Internal Controls	Revised and repeated in current year	08-4
06-4	Record Keeping	Revised and repeated in current year	08-3
05-7	Expenditures Exceeded Budget	Revised and repeated in current year	08-5
07-3	Audit Late	Revised and repeated in current year	08-6
07-4	Payroll Reports Late	Revised and repeated in current year	08-7
07-5	Mileage Reimbursement	Revised and repeated in current year	08-8

## C. Exit Conference

The contents of this report were discussed at an exit conference held on December 1, 2010. The following individuals were in attendance. Marilyn Burns, Mayor and Sandra Rush, CPA.

## D. Financial Statement Preparation

The financial statements of the Town of Tatum were prepared by Sandra Rush, CPA from the original books and records provided by management.