
STATE OF NEW MEXICO
Town of Tatum
June 30, 2009

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2009
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

STATE OF NEW MEXICO
TOWN OF TATUM

Official Roster
For the year ended June 30, 2009

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

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, 2009, 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, 2009, 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, 2009 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, 2009.

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 July 5, 2011, 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, 2009 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

Sandra Rush, CPA
July 5, 2011

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
TOWN OF TATUM

Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 850,684	\$ 7,834	\$ 858,518
Accounts receivable, net	-	-	-
Taxes receivable, net	-	-	-
Restricted cash	<u>5,450</u>	<u>34,306</u>	<u>39,756</u>
Total current assets	<u>856,134</u>	<u>42,140</u>	<u>898,274</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	1,834,322	3,962,843
Less: accumulated depreciation	<u>(834,562)</u>	<u>(1,243,682)</u>	<u>(2,078,244)</u>
Total noncurrent assets	<u>1,323,180</u>	<u>1,802,935</u>	<u>3,126,115</u>
Total assets	<u>\$ 2,179,314</u>	<u>\$ 1,845,075</u>	<u>\$ 4,024,389</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	13,528	3,462	16,990
Water meter deposits	-	27,165	27,165
Current portion of long term debt	<u>-</u>	<u>11,917</u>	<u>11,917</u>
Total current liabilities	<u>13,528</u>	<u>42,544</u>	<u>56,072</u>
Noncurrent liabilities:			
Accrued compensated absences	10,210	8,367	18,577
Bonds and notes payable	<u>-</u>	<u>1,161</u>	<u>1,161</u>
Total noncurrent liabilities	<u>10,210</u>	<u>9,528</u>	<u>19,738</u>
Total liabilities	<u>23,738</u>	<u>52,072</u>	<u>75,810</u>
Invested in capital assets, net of related debt	1,323,180	1,789,857	3,113,037
Unrestricted	<u>832,396</u>	<u>3,146</u>	<u>835,542</u>
Total net assets	<u>2,155,576</u>	<u>1,793,003</u>	<u>3,948,579</u>
Total liabilities and net assets	<u>\$ 2,179,314</u>	<u>\$ 1,845,075</u>	<u>\$ 4,024,389</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, 2009

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 437,531	\$ 5,115	\$ 355,819	\$ -
Public safety	502,126	23,692	184,241	-
Public works	11,486	-	-	-
Culture and recreation	158,354	1,304	49,445	-
Capital outlay	154,488	11,645	150,000	-
Depreciation	88,948	-	-	-
In / out / unidentifiable expenditures	19,005	-	-	-
Total governmental activities	1,371,938	41,756	739,505	-
Business-type activities:				
Unidentifiable expenditures	-	-	-	-
Interest on long-term debt	2,070	-	-	-
Depreciation	63,810	-	-	-
Water, waste and sewer	339,745	165,598	-	-
Total business-type activities	405,625	165,598	-	-
Total governmental and business-type activities	\$ 1,777,563	\$ 207,354	\$ 739,505	\$ -

General Revenues:

Taxes:

Property taxes
Gross receipts taxes
Franchise taxes
Gasoline taxes
State shared
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
\$ (76,597)	\$ -	\$ (76,597)
(294,193)	-	(294,193)
(11,486)	-	(11,486)
(107,605)	-	(107,605)
7,157	-	7,157
(88,948)	-	(88,948)
(19,005)	-	(19,005)
<u>(590,677)</u>	<u>-</u>	<u>(590,677)</u>
-	-	-
-	(2,070)	(2,070)
-	(63,810)	(63,810)
<u>-</u>	<u>(174,147)</u>	<u>(174,147)</u>
<u>-</u>	<u>(240,027)</u>	<u>(240,027)</u>
<u>\$ (590,677)</u>	<u>\$ (240,027)</u>	<u>\$ (830,704)</u>
\$ 12,065	\$ -	\$ 12,065
155,828	11,918	167,746
21,142	-	21,142
23,342	-	23,342
84,048	-	84,048
2,609	-	2,609
11,170	202,619	213,789
293	357	650
2,670	-	2,670
33,694	-	33,694
1,150	-	1,150
-	-	-
<u>254,789</u>	<u>165,268</u>	<u>420,057</u>
<u>602,800</u>	<u>380,162</u>	<u>982,962</u>
12,123	140,135	152,258
2,143,453	1,652,868	3,796,321
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,143,453</u>	<u>1,652,868</u>	<u>3,796,321</u>
<u>\$ 2,155,576</u>	<u>\$ 1,793,003</u>	<u>\$ 3,948,579</u>

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FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM

Balance Sheet
Governmental Funds
June 30, 2009

	General 101	Fire Protection County & State 209	Municipal Streets/Roads 216
<u>ASSETS</u>			
Cash and cash equivalents	\$ 534,064	\$ 84,380	\$ 906
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Due from other funds	-	-	23,208
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 534,064</u>	<u>\$ 84,380</u>	<u>\$ 24,114</u>
 <u>LIABILITIES</u>			
Accounts payables	\$ -	\$ -	\$ -
Accrued payroll	7,538	317	-
Deferred revenue	911	-	-
Due to other funds	28,839	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>37,288</u>	<u>317</u>	<u>-</u>
 <u>FUND BALANCE</u>			
Unreserved, Undesignated, reported in:			
General Fund	496,776	-	-
Special Revenue Funds	-	84,063	24,114
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>496,776</u>	<u>84,063</u>	<u>24,114</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 534,064</u>	<u>\$ 84,380</u>	<u>\$ 24,114</u>
	-	-	-

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

Public Safety 218	Special Building 300	Other Governmental Funds	Total Governmental Funds
\$ 76,409	\$ 21,394	\$ 138,981	\$ 856,134
-	-	-	-
-	-	-	-
-	-	5,631	28,839
<u>\$ 76,409</u>	<u>\$ 21,394</u>	<u>\$ 144,612</u>	<u>\$ 884,973</u>
\$ -	\$ -	\$ -	\$ -
3,511	-	2,162	13,528
-	-	-	911
-	-	-	28,839
<u>3,511</u>	<u>-</u>	<u>2,162</u>	<u>43,278</u>
-	-	-	496,776
<u>72,898</u>	<u>21,394</u>	<u>142,450</u>	<u>344,919</u>
<u>72,898</u>	<u>21,394</u>	<u>142,450</u>	<u>841,695</u>
<u>\$ 76,409</u>	<u>\$ 21,394</u>	<u>\$ 144,612</u>	<u>\$ 884,973</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 \$ 841,695

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

Capital assets	\$ 2,157,742	
Accumulated depreciation	<u>(834,562)</u>	1,323,180

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 \$ 2,155,576

STATE OF NEW MEXICO
TOWN OF TATUM

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	General 101	Fire Protection County & State 209	Municipal Streets/Roads 216
Revenue:			
Taxes	\$ 289,982	\$ -	\$ -
Licenses and permits	1,150	-	-
Charge for services	5,115	-	-
Fines and forfeits	33,507	-	-
Miscellaneous	5,840	-	-
Interest income	-	189	-
Intergovernmental	355,819	74,275	-
Lot sales	-	-	-
In / our receipts	(53,728)	-	-
Unidentifiable receipts	199,878	5,694	-
Total revenues	837,563	80,158	-
Expenditures:			
Current:			
General government	437,531	-	-
Public safety	303,733	65,212	-
Public works	(9,311)	-	-
Culture and recreation	67,412	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
In / out expenditures	19,005	-	-
Unidentifiable expenditures	-	-	-
Total expenditures	818,370	65,212	-
Excess (deficiency) of revenues over expenditures	19,193	14,946	-
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	19,193	14,946	-
Fund balances, beginning of year	477,583	69,117	24,114
Restatement	-	-	-
Fund balances, beginning of year restated	477,583	69,117	24,114
Fund balances, end of year	<u>\$ 496,776</u>	<u>\$ 84,063</u>	<u>\$ 24,114</u>

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

Public Safety 218	Special Building 300	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,052	\$ 299,034
-	-	-	1,150
-	11,645	24,996	41,756
-	-	187	33,694
-	-	5,330	11,170
104	-	-	293
75,766	150,000	83,645	739,505
-	-	2,670	2,670
-	-	-	(53,728)
<u>39,309</u>	<u>1,500</u>	<u>62,136</u>	<u>308,517</u>
<u>115,179</u>	<u>163,145</u>	<u>188,016</u>	<u>1,384,061</u>
-	-	-	437,531
75,793	-	57,388	502,126
-	-	20,797	11,486
-	-	90,942	158,354
-	154,488	-	154,488
-	-	-	-
-	-	-	-
-	-	-	19,005
-	-	-	-
<u>75,793</u>	<u>154,488</u>	<u>169,127</u>	<u>1,282,990</u>
39,386	8,657	18,889	101,071
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
39,386	8,657	18,889	101,071
33,512	12,737	123,561	740,624
-	-	-	-
<u>33,512</u>	<u>12,737</u>	<u>123,561</u>	<u>740,624</u>
<u>\$ 72,898</u>	<u>\$ 21,394</u>	<u>\$ 142,450</u>	<u>\$ 841,695</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, 2009

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

Net change in fund balances - total governmental funds	\$ 101,071
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>\$ 12,123</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local effort	\$	\$	\$ 1,097	\$ 1,097
Taxes	279,115	289,815	366,601	76,786
Licenses and permits	8,075	8,275	1,150	(7,125)
Charges for services	257,985	414,885	5,115	(409,770)
Fines and forfeits	-	-	33,507	33,507
Miscellaneous	-	-	4,743	4,743
Intergovernmental	39,952	39,952	355,819	315,867
In / out revenue	-	-	(53,728)	(53,728)
Unidentifiable receipts	-	-	199,878	199,878
Total revenue	585,127	752,927	914,182	161,255
Expenditures:				
Current:				
Legislative department:				
Payroll	9,599	9,599	70,389	(60,790)
Maintenance	-	-	1,436	(1,436)
Miscellaneous	-	-	1,762	(1,762)
Financial administration department:				
Payroll	171,554	221,554	101,605	119,949
Travel and training	-	-	2,654	(2,654)
Maintenance	-	-	32,121	(32,121)
Contractual services	-	-	93,926	(93,926)
Supplies	-	-	10,601	(10,601)
Other operating costs	-	-	74,538	(74,538)
Capital outlay	-	-	30,376	(30,376)
Debt service	-	-	13,331	(13,331)
Judicial department:				
Payroll	11,507	11,507	7,436	4,071
Travel and training	-	-	-	-
Maintenance	-	-	-	-
Supplies	-	-	25	(25)
Police:				
Payroll	344,171	364,171	261,109	103,062
Travel and training	-	-	-	-
Maintenance	-	-	5,530	(5,530)
Supplies	-	-	19,297	(19,297)
Other operating costs	-	-	26,058	(26,058)
Library:				
Payroll	72,901	84,901	54,641	30,260
Travel and training	-	-	-	-
Maintenance	-	-	1,793	(1,793)
Supplies	-	-	6,792	(6,792)
Other operating costs	-	-	6,776	(6,776)

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
General other:				
Salary and wages	36,000	227,406	-	227,406
Maintenance	-	-	-	-
Other operating costs	-	-	-	-
In / out expenditures	-	-	19,005	(19,005)
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>645,732</u>	<u>919,138</u>	<u>841,201</u>	<u>77,937</u>
Excess (deficiency) revenues over (under) expenditures	(60,605)	(166,211)	72,981	239,192
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>60,605</u>	<u>166,211</u>	<u>-</u>	<u>(166,211)</u>
Total other financing sources (uses)	<u>60,605</u>	<u>166,211</u>		<u>166,211</u>
Net change in fund balances	-	-	72,981	72,981
Cash balance, beginning of year	-	-	461,083	461,083
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, beg. of year restated	<u>-</u>	<u>-</u>	<u>461,083</u>	<u>461,083</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,064</u>	<u>\$ 534,064</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 72,981	
Adjustment to revenues for accruals and other deferrals			(76,619)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>22,831</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 19,193</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	218	218	189	(29)
Intergovernmental	55,501	55,501	74,275	18,774
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	5,694	5,694
Total revenues	<u>55,719</u>	<u>55,719</u>	<u>80,158</u>	<u>24,439</u>
Expenditures:				
Current:				
Public safety	55,719	55,719	65,829	(10,110)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>55,719</u>	<u>55,719</u>	<u>65,829</u>	<u>(10,110)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	14,329	14,329
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	-	-	14,329	14,329
Cash balance, beginning of year	-	-	70,051	70,051
Prior period adjustment	-	-	-	-
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>70,051</u>	<u>70,051</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,380</u>	<u>\$ 84,380</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 14,329	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			617	
Net change in fund balance (GAAP Basis)			<u>\$ 14,946</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	104	104
Intergovernmental	103,873	103,873	75,766	(28,107)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	39,309	39,309
Total revenues	<u>103,873</u>	<u>103,873</u>	<u>115,179</u>	<u>11,306</u>
Expenditures:				
Current:				
Public safety	103,873	103,873	75,793	28,080
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>103,873</u>	<u>103,873</u>	<u>75,793</u>	<u>28,080</u>
Excess (deficiency) revenues over (under) expenditures	-	-	39,386	39,386
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	-	-	39,386	39,386
Cash balance, beginning of year	-	-	37,023	37,023
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>37,023</u>	<u>37,023</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,409</u>	<u>\$ 76,409</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 39,386	
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>\$ 39,386</u>	

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	11,645	11,645
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	150,000	150,000
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	1,500	1,500
Total revenues	-	-	163,145	163,145
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	154,488	(154,488)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	154,488	(154,488)
Excess (deficiency) revenues over (under) expenditures	-	-	8,657	8,657
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	8,657	8,657
Cash balance, beginning of year	-	-	12,737	12,737
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	12,737	12,737
Cash balance, end of year	\$ -	\$ -	\$ 21,394	\$ 21,394
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 8,657	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 8,657	

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, 2009

	<u>Business-type Activities Enterprise Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 7,834
Accounts receivable	-
Taxes receivable	-
	<hr/>
Total current assets	7,834
	<hr/>
Restricted assets:	
Meter deposits	34,306
	<hr/>
Capital assets:	
Capital assets, not being depreciated	1,212,295
Capital assets, being depreciated	1,834,322
Less: accumulated depreciation	<u>(1,243,682)</u>
	<hr/>
Total capital assets	1,802,935
	<hr/>
Total assets	<u>\$ 1,845,075</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ -
Accrued payroll	3,462
Meter deposits	27,165
Current portion note payable	<u>11,917</u>
	<hr/>
Total current liabilities	42,544
	<hr/>
Noncurrent liabilities:	
Accrued compensated absences	8,367
Note payable	<u>1,161</u>
	<hr/>
Total noncurrent liabilities	9,528
	<hr/>
Total liabilities	52,072
	<hr/>
Net assets:	
Invested in capital assets, net of related debt	1,789,857
Unrestricted	<u>3,146</u>
	<hr/>
Total net assets	1,793,003
	<hr/>
Total liabilities and net assets	<u>\$ 1,845,075</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, 2009

	Business-type Activities <u>Enterprise Fund</u>
Operating revenues:	
Sales and services	\$ 159,377
Reconnections	1,896
Penalty charges	3,465
Gross receipts tax	11,918
Garbage	-
Tax / service	-
	<hr/>
Total operating revenues	176,656
	<hr/>
Operating expenses:	
Payroll	160,799
Travel and training	139
Contractual services	31,097
Insurance	45,543
Supplies	73,511
Other operating expenses	17,823
Depreciation	63,810
	<hr/>
Total operating expenses	392,722
	<hr/>
Operating income (loss)	(216,066)
Non-operating revenues (expenses):	
Interest income	357
Interest expense	(2,070)
Federal and state grants	-
Miscellaneous	202,619
Unidentifiable receipts	165,268
Principal note payment	-
Change in meter deposits	860
Unidentifiable expenses	-
	<hr/>
Total non-operating revenue (expenses)	367,034
	<hr/>
Income (loss) before transfers	150,968
Transfers (out)	-
	<hr/>
Net income (loss)	150,968
Net assets, beginning of year	1,652,868
Prior period adjustment	(10,833)
	<hr/>
Net assets, end of year	<u>\$ 1,793,003</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, 2009

	Business-type Activities Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 191,626
Cash payments to vendors for goods and services	(194,752)
Cash payments to employees for services	<u>(160,938)</u>
Net cash provided (used) by operating activities	<u>(164,064)</u>
Cash flows from non capital financing activities:	
Federal grant	-
Reduction of long-term debt	(11,262)
Interest on long-term debt	(2,070)
Miscellaneous income	367,887
Change in meter deposits	860
Transfers in (out)	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>355,415</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(200,168)</u>
Net cash provided (used) by capital and related financing activities	<u>(200,168)</u>
Cash flows from investing activities:	
Interest income	<u>357</u>
Net cash provided by investing activities	<u>357</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,460)</u>
Cash and cash equivalents, beginning of year	50,600
Prior period adjustment	<u>-</u>
Cash and cash equivalents in bank, end of year	7,834
Restricted cash	<u>34,306</u>
Total cash and cash equivalents, end of year	<u>\$ 42,140</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (216,066)
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	14,831
Increase (Decrease) in accounts payable	<u>(26,639)</u>
Net cash provided (used) by operating activities	<u>\$ (164,064)</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, 2009

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

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements
June 30, 2009

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

Notes to Financial Statements
June 30, 2009

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

STATE OF NEW MEXICO
TOWN OF TATUM

Notes to Financial Statements
June 30, 2009

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

STATE OF NEW MEXICO
TOWN OF TATUM

Notes to Financial Statements
June 30, 2009

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 10th and April 10th. 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

STATE OF NEW MEXICO
TOWN OF TATUM

Notes to Financial Statements
June 30, 2009

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.

STATE OF NEW MEXICO
TOWN OF TATUM

Notes to Financial Statements
June 30, 2009

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 insured 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, 2009, \$596,943 of the Town's bank balance of \$978,996 was exposed to custodial credit risk.

Note 3 Capital Assets

Capital assets as of and for the year ended June 30, 2009, 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	(206,763)	(27,024)	-	(233,787)
Equipment	(538,851)	(61,924)	-	(600,775)
Total accumulated depreciation	(745,614)	(88,948)	-	(834,562)
Total capital assets being depreciated, net	1,382,907	(88,948)	-	1,293,959
Governmental activity capital assets, net	\$ 1,412,128	\$ (88,948)	\$ -	\$ 1,323,180

STATE OF NEW MEXICO
TOWN OF TATUM

Notes to Financial Statements
June 30, 2009

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities				
Capital assets not being depreciated				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in Progress	1,195,295	-	-	1,195,295
	-	-	-	-
Total assets not being depreciated	<u>\$ 1,212,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,212,295</u>
Capital assets being depreciated				
Buildings and improvements	\$ 1,172,614	\$ -	\$ -	\$ 1,172,614
Equipment	461,540	200,168	-	661,708
	-	-	-	-
Total assets being depreciated	<u>1,634,154</u>	<u>200,168</u>	<u>-</u>	<u>1,834,322</u>
Less accumulated depreciation				
Buildings and improvements	(828,602)	(34,159)	-	(862,761)
Equipment	(351,270)	(29,651)	-	(380,921)
	-	-	-	-
Total accumulated depreciation	<u>(1,179,872)</u>	<u>(63,810)</u>	<u>-</u>	<u>(1,243,682)</u>
Total capital assets being depreciated, net	<u>518,082</u>	<u>(63,810)</u>	<u>-</u>	<u>454,272</u>
Business-type activity capital assets, net	<u>\$ 1,730,377</u>	<u>\$ 136,358</u>	<u>\$ -</u>	<u>\$ 1,802,935</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	<u>13,678</u>		
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>
Totals	<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, 2009

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Note payable 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	\$ 35,602	\$ -	\$ (11,262)	\$ 24,340
Accrued compensated absences	\$ 8,367	\$ -	\$ -	\$ 8,367
Totals	\$ 43,969	\$ -	\$ (11,262)	\$ 32,707

The current portion of the above note payable is \$11,917.

Debt service requirements at June 30, 2009 were as follows:

Year Ended June 30,	Principal	Interest	Total
2010	11,917	1,415	13,332
2011	12,423	727	13,150
	\$ 24,340	\$ 2,142	\$ 26,482

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.

Notes to Financial Statements
June 30, 2009

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, 2009, the Town was unable to provide employer or 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, although the District expects such amount, if any, to be immaterial.

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 Town was unable to provide composition of interfund transfers during the year ended June 30, 2009.

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, 2009. 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, 2009. 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 no 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 Changes 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 to track revenues and expenditures. There were numerous errors in the recording of revenues, expenditures, and expenses. 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

In the prior year, the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets included the note payable principal as an expense. The beginning net assets have been increased \$10,833 to correct the prior years over statement of expenses.

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 County and State 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 and 2% 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)

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, 2009

	<u>Detention 201</u>	<u>Environmental Gross Receipts 202</u>	<u>Ambulance County & State 206</u>	<u>Law Enforcement Protection 211</u>
<u>ASSETS</u>				
Cash in banks	\$ 14,906	\$ 15,905	\$ 37,928	\$ 30
Accounts receivable	-	-	-	-
Due from other funds	-	5,631	-	-
Total assets	<u>\$ 14,906</u>	<u>\$ 21,536</u>	<u>\$ 37,928</u>	<u>\$ 30</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	348	-
Total liabilities	<u>-</u>	<u>-</u>	<u>348</u>	<u>-</u>
<u>FUND BALANCE</u>				
Unreserved:				
Designated for subsequent years expenditures	<u>14,906</u>	<u>21,536</u>	<u>37,580</u>	<u>30</u>
Total fund balance	<u>14,906</u>	<u>21,536</u>	<u>37,580</u>	<u>30</u>
Total liabilities and fund balance	<u>\$ 14,906</u>	<u>\$ 21,536</u>	<u>\$ 37,928</u>	<u>\$ 30</u>
	-	-	-	-

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

Recreation & 2% Special Recreation 217	Senior Citizens 219	Cemetery 600	Totals
\$ 12,211	\$ 7,932	\$ 50,069	\$ 138,981
-	-	-	-
-	-	-	5,631
<u>\$ 12,211</u>	<u>\$ 7,932</u>	<u>\$ 50,069</u>	<u>\$ 144,612</u>
\$ -	\$ -	\$ -	\$ -
-	1,687	127	2,162
-	1,687	127	2,162
12,211	6,245	49,942	142,450
12,211	6,245	49,942	142,450
<u>\$ 12,211</u>	<u>\$ 7,932</u>	<u>\$ 50,069</u>	<u>\$ 144,612</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, 2009

	Detention 201	Environmental Gross Receipts 202	Ambulance County & State 206	Law Enforcement Protection 211
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges of services	9,759	-	13,933	-
Fines and forfeits	-	187	-	-
Miscellaneous	-	-	-	712
Interest income	-	-	-	-
Intergovernmental	-	-	13,000	21,200
Lot sales	-	-	-	-
Unidentifiable receipts	8,582	9,896	8,427	-
Total revenues	18,341	10,083	35,360	21,912
Expenditures:				
Current:				
Public safety	7,965	-	27,541	21,882
Public works	-	12,023	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	7,965	12,023	27,541	21,882
Excess (deficiency) of revenues over expenditures	10,376	(1,940)	7,819	30
Other financing sources (uses):				
Operating transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	10,376	(1,940)	7,819	30
Fund balances, beginning	4,530	23,476	29,761	-
Prior period adjustment	-	-	-	-
Fund balances, beginning restated	4,530	23,476	29,761	-
Fund balances, ending	\$ 14,906	\$ 21,536	\$ 37,580	\$ 30

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

Recreation & 2% Special Recreation 217	Senior Citizens 219	Cemetery 600	Totals
\$ 9,052	\$ -	\$ -	\$ 9,052
1,274	-	30	24,996
-	-	-	187
2,082	2,536	-	5,330
-	-	-	-
-	49,445	-	83,645
-	-	2,670	2,670
4,921	21,918	8,392	62,136
<u>17,329</u>	<u>73,899</u>	<u>11,092</u>	<u>188,016</u>
-	-	-	57,388
-	-	8,774	20,797
11,891	79,051	-	90,942
-	-	-	-
-	-	-	-
-	-	-	-
<u>11,891</u>	<u>79,051</u>	<u>8,774</u>	<u>169,127</u>
5,438	(5,152)	2,318	18,889
-	-	-	-
-	-	-	-
5,438	(5,152)	2,318	18,889
6,773	11,397	47,624	123,561
-	-	-	-
<u>6,773</u>	<u>11,397</u>	<u>47,624</u>	<u>123,561</u>
<u>\$ 12,211</u>	<u>\$ 6,245</u>	<u>\$ 49,942</u>	<u>\$ 142,450</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	10,230	10,230	9,759	(471)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	8,582	8,582
Total revenues	<u>10,230</u>	<u>10,230</u>	<u>18,341</u>	<u>8,111</u>
Expenditures:				
Current:				
Public safety	10,230	10,230	8,452	1,778
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>10,230</u>	<u>10,230</u>	<u>8,452</u>	<u>1,778</u>
Excess (deficiency) revenues over (under) expenditures	-	-	9,889	9,889
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	-	-	9,889	9,889
Cash balance, beginning of year	-	-	5,017	5,017
Prior period adjustment	-	-	-	-
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>5,017</u>	<u>5,017</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,906</u>	<u>\$ 14,906</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 9,889	
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)			<u>\$ 10,376</u>	

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	17,030	17,030	187	(16,843)
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	9,896	9,896
Total revenues	<u>17,030</u>	<u>17,030</u>	<u>10,083</u>	<u>(6,947)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	17,030	17,030	12,023	5,007
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>17,030</u>	<u>17,030</u>	<u>12,023</u>	<u>5,007</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(1,940)	(1,940)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(1,940)	(1,940)
Cash balance, beginning of year	-	-	17,845	17,845
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	17,845	17,845
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,905</u>	<u>\$ 15,905</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,940)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (1,940)</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	13,933	13,933
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	7,000	7,000	13,000	6,000
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	8,427	8,427
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>35,360</u>	<u>28,360</u>
Expenditures:				
Current:				
Public safety	7,000	7,000	28,223	(21,223)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>28,223</u>	<u>(21,223)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	7,137	7,137
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	-	-	7,137	7,137
Cash balance, beginning of year				
Prior period adjustment	-	-	30,791	30,791
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>30,791</u>	<u>30,791</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,928</u>	<u>\$ 37,928</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 7,137	
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)			<u>\$ 7,819</u>	

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	712	712
Interest income	-	-	-	-
Intergovernmental	22,400	22,400	21,200	(1,200)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	-	-
Total revenues	<u>22,400</u>	<u>22,400</u>	<u>21,912</u>	<u>(488)</u>
Expenditures:				
Current:				
Public safety	22,400	22,400	21,882	518
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>22,400</u>	<u>22,400</u>	<u>21,882</u>	<u>518</u>
Excess (deficiency) revenues over (under) expenditures	-	-	30	30
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	-	-	30	30
Cash balance, beginning of year				
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 30	
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>\$ 30</u>	

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 3,050	\$ 3,050	\$ 9,052	\$ 6,002
Charges for services	755	755	1,274	519
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	2,082	2,082
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	4,921	4,921
Total revenues	<u>3,805</u>	<u>3,805</u>	<u>17,329</u>	<u>13,524</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	3,805	3,805	15,149	(11,344)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>3,805</u>	<u>3,805</u>	<u>15,149</u>	<u>(11,344)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	2,180	2,180
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	-	-	2,180	2,180
Cash balance, beginning of year	-	-	10,031	10,031
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>10,031</u>	<u>10,031</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,211</u>	<u>\$ 12,211</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,180	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>3,258</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 5,438</u>	

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	13,208	13,208	2,536	(10,672)
Interest income	-	-	-	-
Intergovernmental	87,041	87,041	49,445	(37,596)
Lot sales	-	-	-	-
Unidentifiable receipts	-	-	21,918	21,918
Total revenues	<u>100,249</u>	<u>100,249</u>	<u>73,899</u>	<u>(26,350)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	100,249	100,249	79,051	21,198
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>100,249</u>	<u>100,249</u>	<u>79,051</u>	<u>21,198</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(5,152)	(5,152)
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	-	-	(5,152)	(5,152)
Cash balance, beginning of year	-	-	13,084	13,084
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>13,084</u>	<u>13,084</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,932</u>	<u>\$ 7,932</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (5,152)	
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>\$ (5,152)</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	30	30
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	2,670	2,670
Unidentifiable receipts	-	-	8,392	8,392
Total revenues	<u>206,632</u>	<u>206,632</u>	<u>11,092</u>	<u>(195,540)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	8,804	(8,804)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Total expenditures	<u>206,632</u>	<u>206,632</u>	<u>8,804</u>	<u>197,828</u>
Excess (deficiency) revenues over (under) expenditures	-	-	2,288	2,288
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	-	-	2,288	2,288
Cash balance, beginning of year	-	-	47,781	47,781
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>47,781</u>	<u>47,781</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,069</u>	<u>\$ 50,069</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,288	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			30	
Net change in fund balance (GAAP Basis)			<u>\$ 2,318</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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Sales and services	\$ 448,187	\$ 458,187	\$ 174,347	\$ (283,840)
Reconnection fees	-	-	1,896	1,896
Penalty charges	-	-	3,465	3,465
Garbage	-	-	-	-
Gross receipts tax	84,582	84,582	11,918	(72,664)
Tax on services	-	-	-	-
Total revenue	<u>532,769</u>	<u>542,769</u>	<u>191,626</u>	<u>(351,143)</u>
Expenses:				
Current:				
Water and sewer:				
Payroll	532,769	542,769	160,799	381,970
Travel and training	-	-	139	(139)
Contractual services	-	-	66,524	(66,524)
Insurance	-	-	45,543	(45,543)
Supplies	-	-	73,511	(73,511)
Other operating costs	-	-	22,506	(22,506)
Capital outlay	-	-	200,168	(200,168)
Total expenses	<u>532,769</u>	<u>542,769</u>	<u>569,190</u>	<u>(26,421)</u>
Excess (deficiency) revenues over expenses	-	-	(377,564)	(377,564)
Other financing sources (uses):				
Water Sys Improvement CDBG grant	-	-	-	-
Interest income	-	-	357	357
Miscellaneous	-	-	202,619	202,619
Unidentifiable receipts	-	-	165,268	165,268
Interest expense	-	-	-	-
Principal payment	-	-	-	-
Unidentifiable expenditures	-	-	-	-
Change in meter deposits	-	-	860	860
Operating transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>369,104</u>	<u>369,104</u>
Net change in fund balance	-	-	(8,460)	(8,460)

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, 2009

	Budgeted Amounts		Actual	Variance
	Original	Final		
Cash balance, beginning of year	-	-	50,600	50,600
Prior period adjustment	-	-	-	-
Cash balance, beg of year restated	-	-	50,600	50,600
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,140</u>	<u>\$ 42,140</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (8,460)	
Adjustment to revenues for accruals and other deferrals			(14,970)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>4,683</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (18,747)</u>	

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

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, 2009

	<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:	\$ 956	\$ -	\$ -	\$ 956
	<u>\$ 956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 956</u>
<u>Liabilities</u>				
Deposits held for others	<u>\$ 956</u>	<u>\$ -</u>	<u>\$ -</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, 2009

	<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	\$ 562,287	\$ 46,032	\$ 73,624	\$ 37,516
Less: FDIC Insurance	<u>(100,000)</u>	<u>(46,032)</u>	<u>(73,624)</u>	<u>(37,516)</u>
Total uninsured public funds	462,287	-	-	-
50% collateral requirement	231,144	-	-	-
Pledged security	<u>682,204</u>	<u>-</u>	<u>78,383</u>	<u>-</u>
Over (under) collateralized	<u>\$ 451,061</u>	<u>\$ -</u>	<u>\$ 78,383</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

<u>Pioneer Time</u>	<u>Bank of America Time</u>	<u>Total</u>
\$ 24,881 <u>(24,881)</u>	\$ 234,656 <u>(100,000)</u>	\$ 978,996 <u>(382,053)</u>
-	134,656	596,943
-	67,328	298,472
<u>-</u>	<u>-</u>	<u>760,587</u>
<u>\$ -</u>	<u>\$ (67,328)</u>	<u>\$ 462,116</u>

<u>FMV</u>
\$ 8,917 128,867 22,624 29,562 <u>492,234</u>
682,204
<u>78,383</u>
<u>\$ 760,587</u>

STATE OF NEW MEXICO
TOWN OF TATUM

Bank Reconciliation - All Accounts
For the year ended June 30, 2009

Town of Tatum	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>
Cash and cash equivalents				
General	\$ 461,083	\$ 914,182	\$ 841,201	\$ -
Fire Protection County and State	70,051	80,158	65,829	-
Municipal Streets / Roads	906	-	-	-
Public Safety	37,023	115,179	75,793	-
Special Building	12,737	163,145	154,488	-
Detention	5,017	18,341	8,452	-
Environmental Gross Receipts Tax	17,845	10,083	12,023	-
Ambulance	30,791	35,360	28,223	-
Law Enforcement Protection	-	21,912	21,882	-
Recreation and 2% Special Recreation	4,681	13,329	11,249	-
Senior Citizens	13,084	73,899	79,051	-
Cemetery	47,781	11,092	8,804	-
Water	17,154	559,870	569,190	-
Total Town of Tatum	<u>718,153</u>	<u>2,016,550</u>	<u>1,876,185</u>	<u>-</u>
Town of Tatum				
Restricted cash				
Recreation and 2% Special Recreation	5,350	4,000	3,900	-
Water	33,446	1,950	1,090	-
	<u>38,796</u>	<u>5,950</u>	<u>4,990</u>	<u>-</u>
	<u>\$ 756,949</u>	<u>\$ 2,022,500</u>	<u>\$ 1,881,175</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>
\$ 534,064	\$ -	\$ 534,064
84,380	-	84,380
906	-	906
76,409	-	76,409
21,394	-	21,394
14,906	-	14,906
15,905	-	15,905
37,928	-	37,928
30	-	30
6,761	-	6,761
7,932	-	7,932
50,069	-	50,069
7,834	-	7,834
858,518	-	858,518
5,450	-	5,450
34,306	-	34,306
39,756	-	39,756
\$ 898,274	\$ -	\$ 898,274

STATE OF NEW MEXICO
TOWN OF TATUM

Bank Reconciliation - All Accounts
For the year ended June 30, 2009

<u>Account name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Town of Tatum			
General	Checking	Western Commerce	\$ 319,209
Fire Protection State	Checking	Western Commerce	10,743
Municipal Streets / Roads	Checking	Western Commerce	906
Public Safety	Checking	Western Commerce	79,506
Special Building	Checking	Western Commerce	21,394
Detention	Checking	Western Commerce	16,781
Environmental Gross Receipts Tax	Checking	Western Commerce	14,294
Ambulance	Checking	Western Commerce	34,485
Ambulance	Checking	Western Commerce	5,637
Law Enforcement Protection	Checking	Western Commerce	30
Recreation	Checking	Western Commerce	3,126
Recreation Special	Checking	Western Commerce	3,927
Recreation Deposit	Checking	Western Commerce	5,450
Senior Citizens	Checking	Western Commerce	11,848
Cemetery	Checking	Western Commerce	402
Water	Checking	Western Commerce	15,502
Water System Improvements	Checking	Western Commerce	9,707
Water System Improvements Phase III	Checking	Western Commerce	1
Water Meter Deposits	Checking	Western Commerce	9,339
Certificate of Deposit - Fire Protection County	CD	Western Commerce	8,100
Certificate of Deposit - Environmental Gross Receipts Tax	CD	Western Commerce	7,089
Certificate of Deposit - Cemetery	CD	Western Commerce	23,843
Certificate of Deposit - Cemetery	CD	Western Commerce	7,000
Total Western Commerce Bank			<u>608,319</u>
Fire Protection County	Checking	Lea County State	73,624
Certificate of Deposit - Cemetery	CD	Lea County State	19,151
Certificate of Deposit - General	CD	Lea County Sta	<u>18,365</u>
Total Lea County State Bank			<u>111,140</u>
Certificate of Deposit - Water Meter Deposits	CD	Pioneer	8,881
Certificate of Deposit - Water Meter Deposits	CD	Pioneer	<u>16,000</u>
Total Pioneer Bank			<u>24,881</u>
Certificate of Deposit - General	CD	f America	30,185
Certificate of Deposit - General	CD	f America	51,013
Certificate of Deposit - General	CD	f America	<u>153,458</u>
Total Bank of America			<u>234,656</u>
Total Town of Tatum			<u>\$ 978,996</u>
Total bank balances			\$ 978,996
Reconciling items			<u>(80,722)</u>
Report balance			<u>\$ 898,274</u>

STATE OF NEW MEXICO
TOWN OF TATUM

Schedule of Joint Powers Agreements
For the year ended June 30, 2009

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, 2009

Region VI Drug Task Force - 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 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		

GOVERNMENTAL AUDITING STANDARDS REPORT

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Report On Internal Control Over Financial
Reporting and On Compliance and Other Matters Based On An
Audit of Financial Statements Performed In Accordance With
Government Auditing Standards

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, 2009, and have issued my report thereon dated July 5, 2011. 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, 2009. 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 maintain 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 09-1 and 09-9.

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.

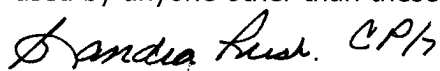
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 09-2, 09-3, 09-4, 09-7, 09-9, and 09-10 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 09-2, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, and 09-10.

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
July 5, 2011

A. Findings – Financial Statement Audit

09-1 Capital Asset Listing

Condition

The Town does not have a formal capital assets management policy. For the year ended June 30, 2009, 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 may 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.

Recommendation

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

Tatum will continue to use the third party to inventory the Capital assets every other year based on a market value and request that the "class or department be added to the assets. Secondly, we are going to council with other municipalities and make a determination on tracking of the historical cost and the market value. We make appropriate adjustments to QB's in 2011.

09-2 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, 2009 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

As of August, 2010, Tatum Leaco Rural telephone installed 3 new computers at City Hall that are networked together. This shows that businesses and the community are behind our effort to update, change and improve our controls & procedures. Also, the latest version of QuickBooks (QB) was installed. The Clerk and the Staff were trained on the new software enabling us to streamline all accounting activities. Water bills are recorded in QB when received. We now have the ability to reconcile our bank funds timely on QB and the system is our support for required reporting to the State of New Mexico.

09-3 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

Tatum began reporting all CD's in Quick Books in August '10. This will continue in the future. The CD's are also earmarked for the fund that they originated from and the fund that they will return to on their maturity.

09-4 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

Tatum realizes that training of personnel and cross training of personnel is important. We use a third party to assist in preparation of the payroll payments and reports. We also have a volunteer accountant with a MBA and 30 years of accounting experience in the oil and gas industry to assist in training. Mr. Dallas is reviewing each quarter's accounting records and assisting in preparation of the New Mexico Quarterly financial statements.

09-5 Expenditures Exceeded Budget

Condition

Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget.

The Town of Tatum was unable to provide a complete original or amended budget. Therefore the auditor could not determine if the Town remitted payments for goods and services in excess of the adopted budget.

Criteria

New Mexico State Statutes Section 6-6-6 NMSA 1978 states that all approved budgets shall bind all officials and governing authorities and no official can pay a claim in excess of the approved budget. County Officials and governing authorities have the obligation to follow applicable state statutes.

Cause

The Town was unable to provide the original budget or the subsequent amendments. Therefore I 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 its 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

The approved 2011 budget has been entered in QB by class. We now have the ability to track by class or fund and can adjust our activity to assure that we do not exceed the budget. We noted that our approved budget was not as accurate as it should have been due to the fact that our books are in the process of improvement. We may need as a municipality to request a revision and appropriate approvals from the council and the Department of Finance and Administration.

09-6 Audit Report Filed Late

Condition

The June 30, 2009 audit report was sent to the State Auditor's office in August of 2011 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, 2009, 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, 2009.

Recommendation

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

Agency response

Tatum realizes that the audits are behind and delinquent in submission to the NM State Auditor. We have learned much in this 2009 audit as it was our first since the administration changed. The City Clerk position was replaced in March 2010. Tatum is committed to being current on our 2009 and 2010 audits. We will improve our controls and procedures based on the recommendations at the conclusion of each audit.

09-7 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 3rd quarter of 2008 and 1st and 2nd quarters of 2009.
- Form 941 for FICA and federal income tax withholding for the 3rd and 4th quarters of 2007 and 1st quarter of 2009.

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 25th 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 had 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

Tatum has hired Carols Accounting Services who is a QB Pro Advisor, proficient in QB payroll processing, tax payments, quarterly and year end reports. We are also continuing to learn from this accounting service the above processes. We are committed to file timely and accurate reports and reduce or eliminate all unnecessary penalties.

09-8 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

We now have a procedure to look at the current rates in the Per Diem and Mileage Act, Section 10-8-4D of the NMSA 1978, each December for any changes to the rate. Our understanding of this statute for mileage reimbursement is 80% of the Internal Revenue Service standard mileage rate set January 1st of the previous year, (search for IRS standard mileage rate).

09-9 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 2009 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

We will develop and implement internal controls to safeguard assets. Tatum will become more familiar with internal controls and depend on the annual audits to make necessary improvements to bolster any weak internal controls. We are also looking at suggestions from the accounting service and Mr. Dallas for suggestions to safeguard assets. Develop and implement internal controls to safeguard assets.

09-10 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

As of March 2010 Tatum has begun to keep all grant material in the same binder for each grant. The contents include origination documents, all transactions including revenues received and expenditures. It will also include a worksheet showing all the revenues and expenditures showing all transactions. This will assist the audit of our grant activity.

B. Findings – Prior Year Audit

<u>Prior Number</u>	<u>Condition</u>	<u>Current Year Status</u>	<u>Current Number</u>
08-1	Capital Asset Listing	Revised and repeated in current year	09-1
08-2	Accounting System	Revised and repeated in current year	09-2
08-4	Internal Controls	Revised and repeated in current year	09-4
08-3	Record Keeping	Revised and repeated in current year	09-3
08-5	Expenditures Exceeded Budget	Revised and repeated in current year	09-5
08-6	Audit Late	Revised and repeated in current year	09-6
08-7	Payroll Reports Late	Revised and repeated in current year	09-7
08-8	Mileage Reimbursement	Revised and repeated in current year	09-8

C. Exit Conference

The contents of this report were discussed at an exit conference held on July 7, 2011. The following individuals were in attendance. Marilyn Burns, Mayor Sharon Rambo Clerk, 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.

