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STATE OF NEW MEXICO  
Town of Tatum  
June 30, 2010

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2010  
With Independent Auditor's Report Thereon

*Sandra Rush*  
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*Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
TOWN OF TATUM

Official Roster  
For the year ended June 30, 2010

Board of Trustees

Marilyn Burns	Mayor
Norma Atkison	Council Member
Doris McDonald	Council Member
Manuel Barriga	Council Member
Philip Winteregg	Council Member

Administrative Officials

Sharon Rambo	Clerk-Treasurer
Jennifer Marrow	Deputy clerk

STATE OF NEW MEXICO  
TOWN OF TATUM

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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 have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Tatum, (Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for all the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the agency's management. My responsibility is to express opinions on these 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 maintain 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 was 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.

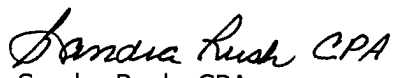
Because of the Town's insufficient accounting records as discussed in the preceding paragraph, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of and for the year ended June 30, 2010 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, an 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, 2010.

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 October 3, 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, 2010 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 conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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  
October 3, 2011



Basic Financial Statements

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STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 399,727	\$ 32,427	\$ 432,154
Total current assets	<u>399,727</u>	<u>32,427</u>	<u>432,154</u>
Noncurrent assets:			
Capital assets, not being depreciated	29,221	1,212,295	1,241,516
Capital assets, being depreciated	2,306,715	1,834,322	4,141,037
Less: accumulated depreciation	<u>(923,510)</u>	<u>(1,307,492)</u>	<u>(2,231,002)</u>
Total noncurrent assets	<u>1,412,426</u>	<u>1,739,125</u>	<u>3,151,551</u>
Total assets	<u>\$ 1,812,153</u>	<u>\$ 1,771,552</u>	<u>\$ 3,583,705</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accrued compensated absences	\$ 10,210	\$ 8,367	\$ 18,577
Current portion of long term debt	<u>-</u>	<u>12,423</u>	<u>12,423</u>
Total current liabilities	<u>10,210</u>	<u>20,790</u>	<u>31,000</u>
Total liabilities	<u>10,210</u>	<u>20,790</u>	<u>31,000</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,412,426	1,726,702	3,139,128
Nonspendable	-	-	-
Restricted for:			
Special revenue fund	307,338	24,060	331,398
Unrestricted	<u>82,179</u>	<u>-</u>	<u>82,179</u>
Total net assets	<u>1,801,943</u>	<u>1,750,762</u>	<u>3,552,705</u>
Total liabilities and net assets	<u>\$ 1,812,153</u>	<u>\$ 1,771,552</u>	<u>\$ 3,583,705</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, 2010

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 552,743	\$	\$ 175,531	\$ -
Public safety	599,679	46,850		-
Public works	29,588	-		-
Culture and recreation	151,093		-	-
Depreciation expense	88,948	-	-	-
<b>Total governmental activities</b>	<b>1,422,051</b>	<b>46,850</b>	<b>175,531</b>	<b>-</b>
<b>Business-type activities:</b>				
Water, waste and sewer	387,809	250,470	22,966	-
Depreciation expense	63,810			-
<b>Total business-type activities</b>	<b>451,619</b>	<b>250,470</b>	<b>22,966</b>	<b>-</b>
<b>Total governmental and business-type activities</b>	<b>\$ 1,873,670</b>	<b>\$ 297,320</b>	<b>\$ 198,497</b>	<b>\$ -</b>

General Revenues:

Taxes:

Gross receipts taxes and other tax  
Miscellaneous  
Interest income  
Lot sales  
Fines / forfeits  
Licenses and permits

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		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (377,212)	\$ -	\$ (377,212)
(552,829)	-	(552,829)
(29,588)	-	(29,588)
(151,093)	-	(151,093)
<u>(88,948)</u>	<u>-</u>	<u>(88,948)</u>
<u>(1,199,670)</u>	<u>-</u>	<u>(1,199,670)</u>
-	(114,373)	(114,373)
<u>-</u>	<u>(63,810)</u>	<u>(63,810)</u>
<u>-</u>	<u>(178,183)</u>	<u>(178,183)</u>
<u>\$ (1,199,670)</u>	<u>\$ (178,183)</u>	<u>\$ (1,377,853)</u>
609,587	-	609,587
553,974	-	553,974
222	255	477
8,325	-	8,325
29,568	-	29,568
<u>178</u>	<u>-</u>	<u>178</u>
<u>1,201,854</u>	<u>255</u>	<u>1,202,109</u>
2,184	(177,928)	(175,744)
2,155,576	1,793,003	3,948,579
<u>(355,817)</u>	<u>135,687</u>	<u>(220,130)</u>
1,799,759	1,928,690	3,728,449
<u>\$ 1,801,943</u>	<u>\$ 1,750,762</u>	<u>\$ 3,552,705</u>

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Fund Financial Statements





Other Governmental Funds	Total Governmental Funds
\$ 156,340	\$ 399,727
<u>\$ 156,340</u>	<u>\$ 399,727</u>
\$ -	\$ -
<u>-</u>	<u>-</u>
-	-
156,340	307,338
<u>-</u>	<u>92,389</u>
<u>156,340</u>	<u>399,727</u>
<u>\$ 156,340</u>	<u>\$ 399,727</u>

\$ 399,727

\$ 2,335,936	
<u>(923,510)</u>	1,412,426

(10,210)

\$ 1,801,943

STATE OF NEW MEXICO  
TOWN OF TATUM

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2010

	General 101	Fire Protection County & State 209	Public Safety 218
Revenue:			
Taxes	\$ 607,559	\$ -	\$ -
Licenses and permits	178	-	-
Charge for services	11,026	-	-
Fines and forfeits	21,283	-	-
Miscellaneous	551,252	54	-
Interest income	-	102	115
Intergovernmental	49,215	73,375	-
Lot sales	-	-	-
Total revenues	<u>1,240,513</u>	<u>73,531</u>	<u>115</u>
Expenditures:			
Current:			
General government	552,743	-	-
Public safety	326,749	163,294	41,175
Public works	7,353	-	-
Culture and recreation	52,032	-	-
Capital outlay	117,131	57,563	-
Total expenditures	<u>1,056,008</u>	<u>220,857</u>	<u>41,175</u>
Excess (deficiency) of revenues over expenditures	184,505	(147,326)	(41,060)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	184,505	(147,326)	(41,060)
Fund balances, beginning of year	496,776	84,063	72,898
Restatement	<u>(588,892)</u>	<u>141,621</u>	<u>40,802</u>
Fund balances, beginning of year restated	<u>(92,116)</u>	<u>225,684</u>	<u>113,700</u>
Fund balances, end of year	<u>\$ 92,389</u>	<u>\$ 78,358</u>	<u>\$ 72,640</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,028	\$ 609,587
-	178
35,824	46,850
8,285	29,568
2,668	553,974
5	222
52,941	175,531
8,325	8,325
<u>110,076</u>	<u>1,424,235</u>
-	552,743
68,461	599,679
22,235	29,588
99,061	151,093
3,500	178,194
<u>193,257</u>	<u>1,511,297</u>
(83,181)	(87,062)
-	-
<u>-</u>	<u>-</u>
-	-
<u>(83,181)</u>	<u>(87,062)</u>
187,958	841,695
51,563	(354,906)
<u>239,521</u>	<u>486,789</u>
<u>\$ 156,340</u>	<u>\$ 399,727</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, 2010

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

Net change in fund balances - total governmental funds	\$ (87,062)
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)
Capital assets	<u>178,194</u>
Change in net assets of governmental activities.	<u>\$ 2,184</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue:</b>				
Local effort	\$ -	\$ -	\$ -	\$ -
Taxes	417,458	417,458	607,559	190,101
Licenses and permits	1,236	1,236	178	(1,058)
Charges for services	-	-	11,026	11,026
Fines and forfeits	53,751	53,751	21,283	(32,468)
Miscellaneous	5,450	5,450	551,252	545,802
Intergovernmental	225,000	225,000	49,215	(175,785)
<b>Total revenue</b>	<b>702,895</b>	<b>702,895</b>	<b>1,240,513</b>	<b>537,618</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Legislative department:</b>				
Payroll	4,900	3,451	3,451	-
Other operating costs	-	1,156	1,156	-
Supplies	-	48	48	-
Travel and training	-	245	1,665	(1,420)
<b>Financial administration department:</b>				
Payroll	228,397	160,908	160,908	-
Travel and training	-	6,770	6,770	-
Maintenance	-	5,943	5,943	-
Contractual services	-	24,168	24,168	-
Supplies	-	19,234	19,234	-
Other operating costs	-	11,374	41,194	(29,820)
Debt service	-	-	665	(665)
Taxes	-	-	1,394	(1,394)
In / out expenditures	-	-	2,196	(2,196)
<b>Judicial department:</b>				
Payroll	11,737	9,977	5,593	4,384
Other operating costs	-	50	50	-
Travel and training	-	1,710	1,710	-
<b>Police:</b>				
Payroll	415,172	285,272	251,062	34,210
Other operating costs	-	43,045	43,045	-
Contractual services	-	9,266	9,266	-
Maintenance	-	7,208	7,208	-
Supplies	-	62,141	7,928	54,213
Travel and training	-	8,240	8,240	-
<b>Library:</b>				
Payroll	73,024	59,495	38,503	20,992
Other operating costs	-	10,930	10,930	-
Maintenance	-	1,203	1,203	-
Supplies	-	1,396	1,396	-

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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
General other:				
Payroll	509,000	504,450	279,401	225,049
Other operating costs	-	1,040	1,040	-
Travel and training			3,510	
Capital outlay	-	3,510	117,131	(113,621)
Total expenditures	<u>1,242,230</u>	<u>1,242,230</u>	<u>1,056,008</u>	<u>186,222</u>
Excess (deficiency) revenues over (under) expenditures	(539,335)	(539,335)	184,505	723,840
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>539,335</u>	<u>539,335</u>	<u>-</u>	<u>(539,335)</u>
Total other financing sources (uses)	<u>539,335</u>	<u>539,335</u>	<u>-</u>	<u>539,335</u>
Net change in fund balances	-	-	184,505	184,505
Cash balance, beginning of year	-	-	534,064	534,064
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(626,180)</u>	<u>(626,180)</u>
Cash balance, beg. of year restated	<u>-</u>	<u>-</u>	<u>(92,116)</u>	<u>(92,116)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,389</u>	<u>\$ 92,389</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 184,505	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(10,210)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 174,295</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	54	54
Interest income	-	-	102	102
Intergovernmental	55,501	55,501	73,375	17,874
Lot sales	-	-	-	-
Total revenues	<u>55,501</u>	<u>55,501</u>	<u>73,531</u>	<u>18,030</u>
Expenditures:				
Current:				
Public safety	55,703	55,703	163,294	(107,591)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	57,563	(57,563)
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>55,703</u>	<u>55,703</u>	<u>220,857</u>	<u>(165,154)</u>
Excess (deficiency) revenues over (under) expenditures	(202)	(202)	(147,326)	(147,124)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>202</u>	<u>202</u>	<u>-</u>	<u>(202)</u>
Total other financing sources (uses)	<u>202</u>	<u>202</u>	<u>-</u>	<u>(202)</u>
Net change in fund balances	-	-	(147,326)	(147,326)
Cash balance, beginning of year	-	-	84,380	84,380
Prior period adjustment	<u>-</u>	<u>-</u>	<u>141,304</u>	<u>141,304</u>
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>225,684</u>	<u>225,684</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,358</u>	<u>\$ 78,358</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (147,326)	
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>\$ (147,326)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	115	115
Intergovernmental	144,316	144,316	-	(144,316)
Lot sales	-	-	-	-
Total revenues	<u>144,316</u>	<u>144,316</u>	<u>115</u>	<u>(144,201)</u>
Expenditures:				
Current:				
Public safety	149,346	149,346	41,175	108,171
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>149,346</u>	<u>149,346</u>	<u>41,175</u>	<u>108,171</u>
Excess (deficiency) revenues over (under) expenditures	(5,030)	(5,030)	(41,060)	(36,030)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	5,030	5,030	-	(5,030)
Total other financing sources (uses)	<u>5,030</u>	<u>5,030</u>	<u>-</u>	<u>(5,030)</u>
Net change in fund balances	-	-	(41,060)	(41,060)
Cash balance, beginning of year	-	-	76,409	76,409
Prior period adjustment	-	-	37,291	37,291
Cash balance, beginning of year restated	-	-	113,700	113,700
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,640</u>	<u>\$ 72,640</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (41,060)	
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>\$ (41,060)</u>	

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



STATE OF NEW MEXICO  
TOWN OF TATUM

Proprietary Funds  
Statement of Net Assets  
June 30, 2010

	<u>Business-type Activities Enterprise Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 32,427
Total current assets	<u>32,427</u>
Noncurrent assets	
Capital assets, not being depreciated	1,212,295
Capital assets, being depreciated	1,834,322
Less: accumulated depreciation	<u>(1,307,492)</u>
Total noncurrent assets	<u>1,739,125</u>
Total assets	<u>\$ 1,771,552</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Compensated absences	\$ 8,367
Current portion note payable	<u>12,423</u>
Total current liabilities	<u>20,790</u>
Net assets:	
Invested in capital assets, net of related debt	1,726,702
Unrestricted	<u>28,266</u>
Total net assets	<u>1,750,762</u>
Total liabilities and net assets	<u>\$ 1,771,552</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, 2010

	Business-type Activities <u>Enterprise Fund</u>
Operating revenues:	
Sales and services	\$ 250,470
Intergovernmental	<u>22,966</u>
Total operating revenues	<u>273,436</u>
Operating expenses:	
Public works	386,405
Depreciation	<u>63,810</u>
Total operating expenses	<u>450,215</u>
Operating income (loss)	(176,779)
Non-operating revenues (expenses):	
Interest income	255
Interest expense	<u>(1,404)</u>
Total non-operating revenue (expenses)	<u>(1,149)</u>
Net income (loss)	(177,928)
Net assets, beginning of year	1,793,003
Prior period adjustment	<u>135,687</u>
Net assets, end of year	<u>\$ 1,750,762</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, 2010

	Business-type Activities <u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 273,436
Cash payments to vendors for goods and services	<u>(406,425)</u>
Net cash provided (used) by operating activities	<u>(132,989)</u>
Cash flows from non capital financing activities:	
Reduction of long-term debt	(11,262)
Interest on long-term debt	<u>(1,404)</u>
Net cash provided (used) by noncapital financing activities	<u>(12,666)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest income	<u>255</u>
Net cash provided by investing activities	<u>255</u>
Net increase (decrease) in cash and cash equivalents	<u>(145,400)</u>
Cash and cash equivalents, beginning of year	42,140
Prior period adjustment	<u>135,687</u>
Cash and cash equivalents in bank, end of year	36,633
Restricted cash	<u>-</u>
Total cash and cash equivalents, end of year	<u>\$ 32,427</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (176,779)
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 payable	<u>(20,020)</u>
Net cash provided (used) by operating activities	<u>\$ (132,989)</u>

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

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Notes to Financial Statements

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## **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 in 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 to impose its will on the organization
- there is a fiscal dependency by the organization on the Town

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

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

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

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

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

The government-wide Statement of Activities reports the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property and sales taxes), and certain inter-governmental revenues (fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

The following fund types are used by the Town:

##### 1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

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

The Town reports the following major governmental funds:

- a) The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b) The fire protection fund was established to account for the operations of fighting fires in the community and surrounding areas.

##### 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:

#### D. Measurement Focus and Basis of Accounting

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

##### Measurement Focus

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

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

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### 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 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

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

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

### E. Budgetary Control

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

1. Prior to June 1, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at the Town Hall to obtain the taxpayer's input. Prior to July 1 of each year, the budget is legally enacted through a resolution.
2. The Town Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of the funds must be approved by the Town Council and New Mexico State Department of Finance, Division of Local Governments.
3. Budgeted amounts are as originally adopted or as amended by the Town Council and New Mexico State Department of Finance, Division of Local Governments. Individual amendments were not material in relation to the original appropriations, which were adopted.
4. Encumbrances are not reported in the budgets or financial statements.

5. Budgets for the General and Special Revenue Funds are adopted on a basis not consistent with generally accepted accounting principles. Throughout the year, the accounting records are kept on a non-GAAP cash basis. Accordingly, revenues and the related assets are recorded when received and expenditures are recorded when paid. The budgetary comparisons are presented on non-GAAP budgetary basis and actual (cash basis).

#### F. Cash and Cash Equivalents

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

#### G. Accounts Receivable

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

#### H. Capital Assets

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

##### *Government-wide statements*

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

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

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

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

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

*Fund financial statements*

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

I. Compensated Absences

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

J. Equity Classifications

Equity is classified as net assets in three components:

- a) Invested in capital assets, net of related debt; consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets -- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

*Fund statements*

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

K. Use of Estimates

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

L. Long-Term Debt

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

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

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

M. Interfund receivables and payables

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

**Note 2 Cash and Cash Equivalents**

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the Town. Time deposits, savings deposits and interest bearing Now accounts of a public unit in an institution in the same state will be 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, 2010, \$65,181 of the Town's bank balance of \$491,327 was exposed to custodial credit risk.

STATE OF NEW MEXICO  
TOWN OF TATUM  
Notes to Financial Statements  
June 30, 2010

	Western Commerce Tatum, NM	Lea County State Tatum, NM	Bank of America Hobbs, NM	Pioneer Savings Roswell, NM	Totals
Total amount of deposits, June 30, 2010					
Town of Tatum -					
Demand deposits	\$ 380,361	\$ 38,320	\$ -	\$ -	\$ 418,681
Time deposits	-	19,645	37,001	16,000	72,646
Total deposited	380,361	57,965	37,001	16,000	491,327
Less FDIC coverage	(250,000)	(57,965)	(37,001)	(16,000)	(360,966)
Total uninsured public funds	130,361	-	-	-	130,361
50% collateral requirement (as per Section 6-10-17, NMSA 19	65,181	-	-	-	65,181
Pledged securities:					
Total pledged securities	-	-	-	-	-
Over (under) collateralized	\$ (65,181)	\$ -	\$ -	\$ -	\$ (65,181)

### Note 3 Capital Assets

Capital assets as of and for the year ended June 30, 2010, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,221	\$ -	\$ -	\$ 29,221
Total capital assets not being depreciated	\$ 29,221	\$ -	\$ -	\$ 29,221
Capital assets being depreciated:				
Buildings and improvements	\$ 1,240,470	\$ -	\$ -	\$ 1,240,470
Equipment	888,051	178,194	-	1,066,245
Total capital assets being depreciated	2,128,521	178,194	-	2,306,715
Less accumulated depreciation for:				
Buildings and improvements	(233,787)	(27,024)	-	(260,811)
Equipment	(600,775)	(61,924)	-	(662,699)
Total accumulated depreciation	(834,562)	(88,948)	-	(923,510)
Total capital assets being depreciated, net	1,293,959	89,246	-	1,383,205
Governmental activity capital assets, net	\$ 1,323,180	\$ 89,246	\$ -	\$ 1,412,426

STATE OF NEW MEXICO  
TOWN OF TATUM  
Notes to Financial Statements  
June 30, 2010

Depreciation expense

Governmental activities

No category \$ 88,948

Total depreciation expense \$ 88,948

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in progress	<u>1,195,295</u>	<u>-</u>	<u>-</u>	<u>1,195,295</u>
Total capital 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	<u>661,708</u>	<u>-</u>	<u>-</u>	<u>661,708</u>
Total capital assets being depreciated	<u>1,834,322</u>	<u>-</u>	<u>-</u>	<u>1,834,322</u>
Less accumulated depreciation for:				
Buildings and improvements	(862,761)	(34,159)	-	(896,920)
Equipment	<u>(380,921)</u>	<u>(29,651)</u>	<u>-</u>	<u>(410,572)</u>
Total accumulated depreciation	<u>(1,243,682)</u>	<u>(63,810)</u>	<u>-</u>	<u>(1,307,492)</u>
Total capital assets being depreciated, net	<u>590,640</u>	<u>(63,810)</u>	<u>-</u>	<u>526,830</u>
Business-type activities capital assets, net	<u>\$ 1,802,935</u>	<u>\$ (63,810)</u>	<u>\$ -</u>	<u>\$ 1,739,125</u>

Depreciation expense

Business type activities

Water management \$ 63,810

Total depreciation expense \$ 63,810

**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.

STATE OF NEW MEXICO  
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Notes to Financial Statements  
June 30, 2010

Governmental Activities	Beginning	Additions	Reductions	Ending
	Balance			Balance
Accrued compensated absences	\$ 10,210	\$ -	\$ -	\$ 10,210
Total	\$ 10,210	\$ -	\$ -	\$ 10,210

The entire balance of the above is considered current.

Business-Type Activities	Beginning	Additions	Reductions	Ending
	Balance			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	\$ 24,340	\$ -	\$ (11,917)	\$ 12,423
Accrued compensated absences	\$ 8,367	\$ -	\$ -	\$ 8,367
Totals	\$ 32,707	\$ -	\$ (11,917)	\$ 20,790

The current portion of the above note payable is \$12,423.

Debt service requirements at June 30, 2010 were as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 12,423	\$ 727	\$ 13,150
	\$ 12,423	\$ 727	\$ 13,150

**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 Are 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 form eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or



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

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund a contribution equal to .65% of the employee's salary. Each participating retire 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, 2010, the Town remitted \$8,456 in employer contributions and \$4,228 in employee contributions to the Retiree Health Care Authority. The Town does not participate in PERA therefore they are not eligible to participate in RHC.

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

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Town carries insurance with commercial carriers. The Town carries insurance for general and auto liability, workmen compensation, employee liability and property. The General, Fire, and Enterprise funds pay premiums. Amounts of settlements have not exceeded insurance coverage in the past three years.

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

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town 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 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, 2010. 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, 2010. 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 11 Change in Accounting Estimate**

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

**Note 12 Insufficient Accounting Records**

The Town of Tatum does not maintain balanced double entry accounting records for any of its funds. The Town's used QuickBooks track of revenues and expenditures. There 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 13 Prior Period Adjustments**

Corrections were made to correct the cash balances of the following funds. Accounts payable and other liabilities were also corrected.

Major funds	<u>Cash</u>	<u>Payable and Other Credits</u>	<u>Total</u>
General Funs	\$ (626,180)	\$ 37,288	\$ (588,892)
Fire Protection	\$ 141,304	\$ 317	\$ 141,621
Public Safety	\$ 37,291	\$ 3,511	\$ 40,802
Special Revenue - Non-major funds			
Detention	\$ 30,373	\$ -	\$ 30,373
Env. Gross Receipts Tax	6,799	(5,631)	1,168
Ambulance	10,808	348	11,156
Law Enforcement Protection	21,866	-	21,866
Municipal Streets/Roads	(413)	(23,208)	(23,621)
Recreation/2% Recreation	6,160	-	6,160
Senior Citizens	32,821	1,687	34,508
Special Building	(2,400)	-	(2,400)
Cemetery	(27,774)	127	(27,647)
Total Non Major	<u>\$ 78,240</u>	<u>\$ (26,677)</u>	<u>\$ 51,563</u>
Proprietary			
Water	\$ 135,687	\$ -	\$ 135,687

Other supplementary information

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Special Revenue Funds:

Detention Fund

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

Environmental Gross Receipts Fund

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

Ambulance Fund

To accounts for funds used to provide 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)

Municipal Streets

To account for funds used to maintain roads for which the Town is responsible. Financing sources include gasoline taxes imposed by Chapter 7, Article 13 NMSA 1978 and distributed to the Town pursuant to 7-1-6.9 NMSA 1978 and New Mexico State Highway Department Cooperative Agreement Funds as provided for in 67-3-28 NMSA 1978. Expenditures are restricted for the purpose of construction, reconstruction, resurfacing or other improvement of public roads, streets, alleys or bridges, including right-of-way and materials acquisition.

Recreation Fund

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

Senior Citizens Fund

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

Special Building Fund

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

Cemetery Fund

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

STATE OF NEW MEXICO  
TOWN OF TATUM

Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2010

	<u>Detention 201</u>	<u>Environmental Gross Receipts 202</u>	<u>Ambulance County &amp; State 206</u>	<u>Law Enforcement Protection 211</u>
<u>ASSETS</u>				
Cash in banks	\$ 34,957	\$ 9,222	\$ 40,380	\$ 4,404
Total assets	<u>\$ 34,957</u>	<u>\$ 9,222</u>	<u>\$ 40,380</u>	<u>\$ 4,404</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>FUND BALANCE</u>				
Unreserved:				
Designated for subsequent years expenditures	<u>34,957</u>	<u>9,222</u>	<u>40,380</u>	<u>4,404</u>
Total fund balance	<u>34,957</u>	<u>9,222</u>	<u>40,380</u>	<u>4,404</u>
Total liabilities and fund balance	<u>\$ 34,957</u>	<u>\$ 9,222</u>	<u>\$ 40,380</u>	<u>\$ 4,404</u>

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



Municipal Streets/Roads 216	Recreation & 2% Special Recreation 217	Senior Citizens 219	Special Building 300	Cemetery 600	Totals
\$ 493	\$ 14,355	\$ 9,163	\$ 17,578	\$ 25,788	\$ 156,340
<u>\$ 493</u>	<u>\$ 14,355</u>	<u>\$ 9,163</u>	<u>\$ 17,578</u>	<u>\$ 25,788</u>	<u>\$ 156,340</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
493	14,355	9,163	17,578	25,788	156,340
<u>493</u>	<u>14,355</u>	<u>9,163</u>	<u>17,578</u>	<u>25,788</u>	<u>156,340</u>
<u>\$ 493</u>	<u>\$ 14,355</u>	<u>\$ 9,163</u>	<u>\$ 17,578</u>	<u>\$ 25,788</u>	<u>\$ 156,340</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, 2010

	Detention 201	Environmental Gross Receipts 202	Ambulance County & State 206	Law Enforcement Protection 211
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges of services	-	-	24,006	-
Fines and forfeits	8,285	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
<b>Total revenues</b>	<u>8,285</u>	<u>-</u>	<u>24,006</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	18,607	-	32,362	17,492
Public works	-	9,982	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	3,500	-	-
<b>Debt service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>18,607</u>	<u>13,482</u>	<u>32,362</u>	<u>17,492</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(10,322)</b>	<b>(13,482)</b>	<b>(8,356)</b>	<b>(17,492)</b>
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<b>(10,322)</b>	<b>(13,482)</b>	<b>(8,356)</b>	<b>(17,492)</b>
Fund balances, beginning	14,906	21,536	37,580	30
Prior period adjustment	30,373	1,168	11,156	21,866
<b>Fund balances, beginning restated</b>	<u>45,279</u>	<u>22,704</u>	<u>48,736</u>	<u>21,896</u>
<b>Fund balances, ending</b>	<u>\$ 34,957</u>	<u>\$ 9,222</u>	<u>\$ 40,380</u>	<u>\$ 4,404</u>

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

Municipal Streets/Roads 216	Recreation & 2% Special Recreation 217	Senior Citizens 219	Special Building 300	Cemetery 600	Totals
\$ -	\$ 2,028	\$ -	\$ -	\$ -	\$ 2,028
-	5,818	-	6,000	-	35,824
-	-	-	-	-	8,285
-	282	2,386	-	-	2,668
-	-	-	-	5	5
-	-	52,941	-	-	52,941
-	-	-	-	8,325	8,325
-	8,128	55,327	6,000	8,330	110,076
-	-	-	-	-	68,461
-	-	-	7,416	4,837	22,235
-	12,144	86,917	-	-	99,061
-	-	-	-	-	3,500
-	-	-	-	-	-
-	-	-	-	-	-
-	12,144	86,917	7,416	4,837	193,257
-	(4,016)	(31,590)	(1,416)	3,493	(83,181)
-	-	-	-	-	-
-	-	-	-	-	-
-	(4,016)	(31,590)	(1,416)	3,493	(83,181)
24,114	12,211	6,245	21,394	49,942	187,958
(23,621)	6,160	34,508	(2,400)	(27,647)	51,563
493	18,371	40,753	18,994	22,295	239,521
\$ 493	\$ 14,355	\$ 9,163	\$ 17,578	\$ 25,788	\$ 156,340

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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	10,650	10,650	8,285	2,365
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Total revenues	<u>10,650</u>	<u>10,650</u>	<u>8,285</u>	<u>2,365</u>
Expenditures:				
Current:				
Public safety	16,123	16,123	18,607	(2,484)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>16,123</u>	<u>16,123</u>	<u>18,607</u>	<u>(2,484)</u>
Excess (deficiency) revenues over (under) expenditures	(5,473)	(5,473)	(10,322)	4,849
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>5,473</u>	<u>5,473</u>	<u>-</u>	<u>5,473</u>
Total other financing sources (uses)	<u>5,473</u>	<u>5,473</u>	<u>-</u>	<u>5,473</u>
Net change in fund balances	-	-	(10,322)	10,322
Cash balance, beginning of year	-	-	14,906	(14,906)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>30,373</u>	<u>(30,373)</u>
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>45,279</u>	<u>(45,279)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,957</u>	<u>\$ (34,957)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (10,322)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (10,322)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	10,612	10,612	-	10,612
Lot sales	-	-	-	-
<b>Total revenues</b>	<b>10,612</b>	<b>10,612</b>	<b>-</b>	<b>10,612</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Public works	12,773	12,773	9,982	2,791
Culture and recreation	-	-	-	-
Capital outlay	-	-	3,500	(3,500)
<b>Debt service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>12,773</b>	<b>12,773</b>	<b>13,482</b>	<b>(709)</b>
Excess (deficiency) revenues over (under) expenditures	(2,161)	(2,161)	(13,482)	11,321
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	2,161	2,161	-	2,161
<b>Total other financing sources (uses)</b>	<b>2,161</b>	<b>2,161</b>	<b>-</b>	<b>2,161</b>
Net change in fund balances	-	-	(13,482)	13,482
Cash balance, beginning of year	-	-	15,905	(15,905)
Prior period adjustment	-	-	6,799	(6,799)
Cash balance, beginning of year restated	-	-	22,704	(22,704)
Cash balance, end of year	\$ -	\$ -	\$ 9,222	\$ (9,222)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (13,482)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (13,482)	

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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	24,006	24,006
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	7,000	7,000	-	(7,000)
Charges for services	-	-	-	-
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>24,006</u>	<u>17,006</u>
Expenditures:				
Current:				
Public safety	7,000	7,000	32,362	(25,362)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>7,000</u>	<u>7,000</u>	<u>32,362</u>	<u>(25,362)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(8,356)	8,356
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	-	-	(8,356)	8,356
Cash balance, beginning of year	-	-	37,928	(37,928)
Prior period adjustment	-	-	10,808	(10,808)
Cash balance, beginning of year restated	-	-	48,736	(48,736)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,380</u>	<u>\$ (40,380)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (8,356)	
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>\$ (8,356)</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 - 211  
Statement of Revenue, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	21,800	21,800	-	(21,800)
Lot sales	-	-	-	-
Total revenues	<u>21,800</u>	<u>21,800</u>	<u>-</u>	<u>(21,800)</u>
Expenditures:				
Current:				
Public safety	21,800	21,800	17,492	4,308
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>21,800</u>	<u>21,800</u>	<u>17,492</u>	<u>518</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(17,492)	17,492
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	-	-	(17,492)	17,492
Cash balance, beginning of year	-	-	30	(30)
Prior period adjustment	-	-	21,866	(21,866)
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>21,896</u>	<u>(21,896)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,404</u>	<u>\$ (4,404)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (17,492)	
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>\$ (17,492)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
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	-	-	-	-
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	-	-	(413)	(413)
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493</u>	<u>\$ 493</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 - 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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 809	\$ 809	\$ 2,028	\$ 1,219
Charges for services	-	-	5,818	5,818
Fines and forfeits	-	-	-	-
Miscellaneous	4,718	4,718	282	(4,436)
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
Total revenues	<u>5,527</u>	<u>5,527</u>	<u>8,128</u>	<u>13,524</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	5,527	5,527	12,144	(6,617)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>5,527</u>	<u>5,527</u>	<u>12,144</u>	<u>(11,344)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(4,016)	4,016
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	-	-	(4,016)	4,016
Cash balance, beginning of year	-	-	12,211	(12,211)
Prior period adjustment	-	-	6,160	(6,160)
Cash balance, beginning of year restated	-	-	18,371	(18,371)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,355</u>	<u>\$ (14,355)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,016)	
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>\$ (4,016)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Miscellaneous	95,680	95,680	2,386	(93,294)
Interest income	-	-	-	-
Intergovernmental	-	-	52,941	52,941
Lot sales	-	-	-	-
Total revenues	<u>95,680</u>	<u>95,680</u>	<u>55,327</u>	<u>(40,353)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	95,693	95,693	86,917	8,776
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>95,693</u>	<u>95,693</u>	<u>86,917</u>	<u>8,776</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(31,590)	(31,590)
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	-	-	(31,590)	(31,590)
Cash balance, beginning of year	-	-	7,932	7,932
Prior period adjustment	-	-	32,821	32,821
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>40,753</u>	<u>(40,753)</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,163</u>	<u>\$ (9,163)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (31,590)	
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>\$ (31,590)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	6,000	6,000
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	-	-
Intergovernmental	-	-	-	-
Lot sales	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>6,000</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	-	-
Public works	-	-	7,416	(7,416)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<b>Debt service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>7,416</b>	<b>(7,416)</b>
Excess (deficiency) revenues over (under) expenditures	-	-	(1,416)	(1,416)
<b>Other financing sources (uses):</b>				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	-	(1,416)	(1,416)
Cash balance, beginning of year	-	-	21,394	21,394
Prior period adjustment	-	-	(2,400)	(2,400)
Cash balance, beginning of year restated	-	-	18,994	18,994
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,578</u>	<u>\$ 17,578</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,416)	
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>\$ (1,416)</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	85,675	85,675	-	(85,675)
Fines and forfeits	-	-	-	-
Miscellaneous	-	-	-	-
Interest income	-	-	5	5
Intergovernmental	-	-	-	-
Lot sales	-	-	8,325	(8,325)
Total revenues	<u>85,675</u>	<u>85,675</u>	<u>8,330</u>	<u>(93,995)</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	85,675	85,675	4,837	80,838
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>85,675</u>	<u>85,675</u>	<u>4,837</u>	<u>197,828</u>
Excess (deficiency) revenues over (under) expenditures	-	-	3,493	3,493
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	3,493	3,493
Cash balance, beginning of year	-	-	50,069	50,069
Prior period adjustment	-	-	(27,774)	(27,774)
Cash balance, beginning of year restated	<u>-</u>	<u>-</u>	<u>22,295</u>	<u>22,295</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,788</u>	<u>\$ 25,788</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,493	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 3,493</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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Sales and services	\$ -	\$ -	\$ 250,470	\$ 250,470
Reconnection fees	-	-	-	-
Penalty charges	-	-	-	-
Garbage	-	-	-	-
Gross receipts tax	-	-	-	-
Intergovernmental	-	-	22,966	22,966
<b>Total revenue</b>	<b>532,769</b>	<b>542,769</b>	<b>273,436</b>	<b>273,436</b>
<b>Expenses:</b>				
<b>Current:</b>				
<b>Water and sewer:</b>				
Public works	532,769	542,769	406,425	136,344
Travel and training	-	-	-	-
Contractual services	-	-	-	-
Insurance	-	-	-	-
Supplies	-	-	-	-
Other operating costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenses</b>	<b>532,769</b>	<b>542,769</b>	<b>406,425</b>	<b>136,344</b>
Excess (deficiency) revenues over expenses	-	-	(132,989)	137,092
<b>Other financing sources (uses):</b>				
Water Sys Improvement CDBG grant	-	-	-	-
Interest income	-	-	255	255
Miscellaneous	-	-	-	-
Interest expense	-	-	(1,404)	(1,404)
Principal payment	-	-	(11,262)	(11,262)
Unidentifiable expenditures	-	-	-	-
Change in meter deposits	-	-	-	-
Operating transfers	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(12,411)</b>	<b>(12,411)</b>
Net change in fund balance	-	-	(145,400)	124,681

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, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Cash balance, beginning of year	-	-	42,140	42,140
Prior period adjustment	-	-	135,687	135,687
Cash balance, beg of year restated	-	-	177,827	177,827
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,427</u>	<u>\$ 302,508</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (145,400)	
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>\$ (145,400)</u>	

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

Supplemental Data

STATE OF NEW MEXICO  
TOWN OF TATUM

Bank Reconciliation - All Accounts  
For the year ended June 30, 2010

Town of Tatum	Beginning Cash	Receipts	Distributions	Other
Cash and cash equivalents				
General	\$ 534,064	\$ 1,240,513	\$ (1,056,008)	\$ -
Fire Protection County and State	84,380	73,531	(220,857)	-
Municipal Streets / Roads	906	-	-	-
Public Safety	76,409	115	(41,175)	-
Special Building	21,394	6,000	(7,416)	-
Detention	14,906	8,285	(18,607)	-
Environmental Gross Receipts Tax	15,905	-	(13,482)	-
Ambulance	37,928	24,006	(32,362)	-
Law Enforcement Protection	30	-	(17,492)	-
Recreation and 2% Special Recreation	12,211	8,128	(12,144)	-
Senior Citizens	7,932	55,327	(86,917)	-
Cemetery	50,069	8,330	(4,837)	-
Water	42,140	273,691	(419,091)	-
 Total Town of Tatum	 \$ 898,274	 \$ 1,697,926	 \$ (1,930,388)	 \$ -



<u>Net Cash End of Period</u>	<u>Adjustments to the Report</u>	<u>Total Cash on Report</u>
\$ 718,569	\$ (626,180)	\$ 92,389
(62,946)	141,304	78,358
906	(413)	493
35,349	37,291	72,640
19,978	(2,400)	17,578
4,584	30,373	34,957
2,423	6,799	9,222
29,572	10,808	40,380
(17,462)	21,866	4,404
8,195	6,160	14,355
(23,658)	32,821	9,163
53,562	(27,774)	25,788
<u>(103,260)</u>	<u>135,687</u>	<u>32,427</u>
<u>\$ 665,812</u>	<u>\$ (233,658)</u>	<u>\$ 432,154</u>

STATE OF NEW MEXICO  
TOWN OF TATUM

Bank Reconciliation - All Accounts  
For the year ended June 30, 2010

<u>Account name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Town of Tatum			
General	Checking	Western Commerce	\$ 108,798
Fire Protection State	Checking	Western Commerce	10,483
Municipal Streets / Roads	Checking	Western Commerce	493
Public Safety	Checking	Western Commerce	77,630
Special Building	Checking	Western Commerce	17,578
Detention	Checking	Western Commerce	33,034
Environmental Gross Receipts Tax	Checking	Western Commerce	2,031
Ambulance	Checking	Western Commerce	37,472
Ambulance	Checking	Western Commerce	4,216
Law Enforcement Protection	Checking	Western Commerce	4,404
Recreation	Checking	Western Commerce	4,488
Recreation Special	Checking	Western Commerce	2,664
Recreation Deposit	Checking	Western Commerce	5,950
Senior Citizens	Checking	Western Commerce	7,296
Cemetery	Checking	Western Commerce	6,143
Water	Checking	Western Commerce	7,678
Water System Improvements	Checking	Western Commerce	1,110
Water System Improvements Phase III	Checking	Western Commerce	1
Water Meter Deposits	Checking	Western Commerce	11,844
Certificate of Deposit - Fire Protection County	CD	Western Commerce	29,857
Certificate of Deposit - Environmental Gross Receipts Tax	CD	Western Commerce	7,191
Total Western Commerce Bank			<u>380,361</u>
Fire Protection County	Checking	Lea County State	38,320
Certificate of Deposit - Cemetery	CD	Lea County State	19,645
Total Lea County State Bank			<u>57,965</u>
Certificate of Deposit - Water Meter Deposits	CD	Pioneer	16,000
Total Pioneer Bank			<u>16,000</u>
Certificate of Deposit - General	CD	Bank of Americ	719
Certificate of Deposit - General	CD	Bank of Americ	5,001
Certificate of Deposit - General	CD	Bank of Americ	31,281
Total Bank of America			<u>37,001</u>
Total Town of Tatum			<u>\$ 491,327</u>
Total bank balances			\$ 491,327
Reconciling items			<u>(59,173)</u>
Report balance			<u>\$ 432,154</u>

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 have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Tatum (Town) as of and for the year ended June 30, 2010, and have issued my report thereon dated October 3, 2011. 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 agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the agency'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

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

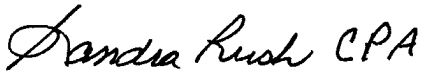
misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2010-1, 2010-2, 2010-3, 2010-4, 2010-5, 2010-6, 2010-7, 2010-8, 2010-9, 2010-10

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items. 2010-1, 2010-5, 2010-6, 2010-7, 2010-8, 2010-10

I also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2010-6 and 2010-8. 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 opinions on them.

This report is intended solely for the information and use of management, of the Town of Tatum, others within the entity, DFA, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

  
Sandra Rush, CPA  
October 3, 2011

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

### 2010-1 Capital Asset Listing – Compliance and Internal Control – Material Deficiency Condition

#### Condition

The Town does not have a formal capital assets management policy. For the year ended June 30, 2010, the Town had not maintained a capital asset listing that was reconciled to the general ledger and was not in compliance with the GASB 34. The Town hired a third party to develop a capital asset list, however the list was not reconciled to the general ledger, or historical cost records.

#### Criteria

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

#### Cause

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

#### Effect

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

#### Recommendation

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

I also 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.

2010-2 Accounting System – Compliance and Internal Control – Material Deficiency Condition

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, 2010 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 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 QuickBooks when received. We now have the ability to reconcile our bank funds timely on QuickBooks and the system is our support for required reporting to the State of New Mexico.



2010-3 Record Keeping – Compliance and Internal Control – Material Deficiency Condition

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.

2010-4 Deficiencies in Internal Control over Financial Statements – Compliance and Internal Control – Material Deficiency Condition

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.

2010-5 Expenditures Exceeded Budget – Compliance and Internal Control – Material Deficiency Condition

Criteria

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

Cause

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

Effect

The Town is in violation of the law which requires each fund to disburse money for 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 QuickBooks 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.

2010-6     Audit Report Filed Late – Compliance and Internal Control – Material Deficiency Condition

Condition

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

Criteria

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

Cause

As of June 30, 2010, 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, 2010.

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 2008 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.

2010-7 Payroll and Sales Tax Reports Filed Late – Compliance and Internal Control – Material Deficiency Condition

Condition

The following payroll reports were filed after their due dates:

- All twelve (12) CRS-1 reports for gross receipts tax and state income tax withholding tax.
- ES-903A for state unemployment tax for the 3<sup>rd</sup> quarter of 2007 and 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2009.
- Form 941 for FICA and federal income tax withholding for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2007 and 1<sup>st</sup> quarter of 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 25<sup>th</sup> of the month following the month being reported.

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

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

Cause

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

Effect

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

Recommendation

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

Agency response

Tatum has hired Carols Accounting Services who is a QuickBooks Pro Advisor, proficient in QuickBooks 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.

2010-8 Mileage Reimbursement Payments Exceeded Limit – Compliance and Internal Control –  
Material Deficiency Condition

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 1<sup>st</sup> of the previous year, (search for IRS standard mileage rate).

2010-9 Internal Controls – Compliance and Internal Control – Material Deficiency Condition

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.

2010-10 Lack of Grant Monitoring – Compliance and Internal Control – Material Deficiency Condition

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>
2009-1	Capital Asset Listing	Revised and repeated in current year	2010-1
2009-2	Accounting System	Revised and repeated in current year	2010-2
2009-4	Internal Controls	Revised and repeated in current year	2010-4
2009-3	Record Keeping	Revised and repeated in current year	2010-3
2009-5	Expenditures Exceeded Budget	Revised and repeated in current year	2010-5
2009-6	Audit Late	Revised and repeated in current year	2010-6
2009-7	Payroll Reports Late	Revised and repeated in current year	2010-7
2009-8	Mileage Reimbursement	Revised and repeated in current year	2010-8
2009-9	Internal Controls	Revised and repeated in current year	2010-9
2009-10	Lack of Grant Monitoring	Revised and repeated in current year	2010-10

**C. Exit Conference**

The contents of this report were discussed at an exit conference held on November 21, 2011. The following individuals were in attendance. Marilyn Burns, mayor, Sharon Rambo, clerk, Mandy Brijalba, deputy-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.

