

**STATE OF NEW MEXICO
TOWN OF TATUM**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

STATE OF NEW MEXICO
TOWN OF TATUM
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June 30, 2012

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STATE OF NEW MEXICO
TOWN OF TATUM
Directory of Officials
June 30, 2012

ELECTED OFFICIALS

Marilyn Burns Mayor
Philip Winteregg..... Mayor Pro-Tem
Norma Atkison Trustee
Manuel Barriga II..... Trustee
Doris McDonald Trustee

ADMINISTRATION

Sharon Rambo..... Clerk-Treasurer
Mandy Brijalba Deputy Clerk

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www.fierrocpa.comIndependent Auditors' ReportHector H. Balderas, State Auditor
and
Mayor and Board of Trustees
Town of Tatum
Tatum, New Mexico

We 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 comparison for the general fund of the Town of Tatum as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the major capital projects funds, major enterprise fund, and the nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Town of Tatum's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tatum as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of each nonmajor governmental funds of the Town of Tatum, as of June 30, 2012, and changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, major capital projects funds, major enterprise fund, and all nonmajor governmental funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the Town of Tatum for the year ended June 30, 2012, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013, on our consideration of the Town of Tatum's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on 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 our audit.

The Town of Tatum has omitted the management's discussion and analysis that is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and, the combining and individual fund financial statements and the budgetary comparisons. The additional schedules listed as other supplemental financial 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 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 1, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 305,784	\$ 100,464	\$ 406,248
Receivables, net:			
Accounts	7,798	37,228	45,026
Taxes	52,752	15,174	67,926
Intergovernmental	37,355	-	37,355
Contributions	32,288	-	32,288
Capital assets:			
Land and construction in progress	100,817	8,320	109,137
Other capital assets, net of depreciation	2,144,975	1,875,482	4,020,457
Total capital assets	2,245,792	1,883,802	4,129,594
Total assets	2,681,769	2,036,668	4,718,437
Liabilities			
Accounts payable	51,563	10,107	61,670
Accrued salaries	5,269	1,334	6,603
Accrued liabilities	4,158	2,187	6,345
Deposits payable	1,250	21,578	22,828
Long-term liabilities:			
Due within one year	10,804	4,570	15,374
Due in more than one year	3,601	1,524	5,125
Total liabilities	76,645	41,300	117,945
Net Assets			
Invested in capital assets	2,245,792	1,883,802	4,129,594
Unrestricted	359,332	111,566	470,898
Total net assets	\$ 2,605,124	\$ 1,995,368	\$ 4,600,492

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 262,569	\$ 13,049	\$ 162,688	\$ 455,829	\$ 368,997	\$ -	\$ 368,997
Public safety	710,245	175,896	205,004	18,642	(310,703)	-	(310,703)
Culture and recreation	49,266	7,454	-	38,049	(3,763)	-	(3,763)
Health and welfare	102,166	11,388	60,876	-	(29,902)	-	(29,902)
Total governmental activities	1,124,246	207,787	428,568	512,520	24,629	-	24,629
Business-type activities:							
Water	181,705	114,386	-	-	-	(67,319)	(67,319)
Wastewater	170,509	78,854	-	331,509	-	239,854	239,854
Solid waste	176,723	166,337	-	-	-	(10,386)	(10,386)
Total business-type activities	528,937	359,577	-	331,509	-	162,149	162,149
Total	<u>\$ 1,653,183</u>	<u>\$ 567,364</u>	<u>\$ 428,568</u>	<u>\$ 844,029</u>	24,629	162,149	186,778
General Revenues:							
Gross receipts taxes					280,517	95,232	375,749
Property taxes, levied for general purposes					20,928	-	20,928
Franchise taxes					20,738	-	20,738
Public service taxes					37,243	-	37,243
Interest income					228	-	228
Transfers					(16,969)	16,969	-
Total general revenues and transfers					342,685	112,201	454,886
Change in net assets					367,314	274,350	641,664
Net assets, beginning of year					1,647,966	2,062,795	3,710,761
Restatements					589,844	(341,777)	248,067
Net assets, beginning of year, restated					2,237,810	1,721,018	3,958,828
Net assets, end of year					<u>\$ 2,605,124</u>	<u>\$ 1,995,368</u>	<u>\$ 4,600,492</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF TATUM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Town Hall Renovation Fund	Park Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 105,750	\$ -	\$ -	\$ 200,034	\$ 305,784
Receivables, net:					
Accounts	-	-	-	7,798	7,798
Taxes	52,752	-	-	-	52,752
Intergovernmental	29,058	-	-	8,297	37,355
Contributions	-	-	32,288	-	32,288
Total assets	<u>\$ 187,560</u>	<u>\$ -</u>	<u>\$ 32,288</u>	<u>\$ 216,129</u>	<u>\$ 435,977</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,139	\$ -	\$ 32,288	\$ 6,136	\$ 51,563
Accrued salaries	4,416	-	-	853	5,269
Accrued liabilities	3,632	-	-	526	4,158
Deposits payable	-	-	-	1,250	1,250
Deferred revenues	1,425	-	-	-	1,425
Total liabilities	22,612	-	32,288	8,765	63,665
Fund Balances:					
Committed for:					
One twelfth budget reserve	50,731	-	-	-	50,731
Subsequent years' expenditures	-	-	-	7,673	7,673
Assigned	-	-	-	199,691	199,691
Unassigned	114,217	-	-	-	114,217
Total fund balances	<u>164,948</u>	<u>-</u>	<u>-</u>	<u>207,364</u>	<u>372,312</u>
Total liabilities and fund balances	<u>\$ 187,560</u>	<u>\$ -</u>	<u>\$ 32,288</u>	<u>\$ 216,129</u>	<u>\$ 435,977</u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
 RECONCILIATION OF THE BALANCE SHEET
 GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

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

Total fund balance governmental funds (page six)	\$	372,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,245,792
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		1,425
Long-term liabilities that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(14,405)</u>
Net assets of governmental activities (page four)	\$	<u><u>2,605,124</u></u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Town Hall Renovation Fund	Park Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 280,517	\$ -	\$ -	\$ -	\$ 280,517
Property taxes	20,236	-	-	-	20,236
Franchise taxes	20,738	-	-	-	20,738
Public service taxes	37,243	-	-	-	37,243
Intergovernmental:					
Federal	65,940	-	-	36,993	102,933
State	193,428	449,377	-	160,813	803,618
Charges for services	7,186	-	-	49,194	56,380
Licenses and permits	1,600	-	-	-	1,600
Fines and forfeitures	116,750	-	-	29,545	146,295
Interest	103	-	-	125	228
Contributions	-	-	38,049	-	38,049
Total revenues	743,741	449,377	38,049	276,670	1,507,837
Expenditures:					
Current:					
General government	214,392	-	-	6,655	221,047
Public safety	457,818	-	-	183,444	641,262
Culture and recreation	38,870	-	-	6,044	44,914
Health and welfare	-	-	-	99,228	99,228
Capital outlay	18,678	402,851	38,049	6,452	466,030
Total expenditures	729,758	402,851	38,049	301,823	1,472,481
Excess (deficiency) of revenues over expenditures	13,983	46,526	-	(25,153)	35,356
Other Financing Sources (Uses):					
Transfers in	6,176	13,339	-	47,208	66,723
Transfers (out)	(77,516)	-	-	(6,176)	(83,692)
Total other financing sources (uses)	(71,340)	13,339	-	41,032	(16,969)
Net change in fund balances	(57,357)	59,865	-	15,879	18,387
Fund balances, beginning of year	137,918	-	-	187,961	325,879
Restatements	84,387	(59,865)	-	3,524	28,046
Fund balances, beginning of year, restated	222,305	(59,865)	-	191,485	353,925
Fund balances, end of year	\$ 164,948	\$ -	\$ -	\$ 207,364	\$ 372,312

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

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, 2012

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

Net change in fund balances - total governmental funds (page eight)	\$	18,387
<p>Governmental funds report capital outlay as expenditures in the amount of \$466,030; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$125,232. The net adjustment is \$340,798.</p>		
		340,798
<p>Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2011, deferred property taxes amount to \$733. The deferred property taxes for the current fiscal year amounted to \$1,425; therefore, the net adjustment is \$692.</p>		
		692
<p>A decrease in the compensated liability from the previous year results in a reduction of wage expense in the current year within the statement of activities; however, the reduction does not provide current financial resources and is not recorded within the governmental funds.</p>		
		7,437
Change in net assets of governmental activities (page five)	\$	367,314

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

STATE OF NEW MEXICO
TOWN OF TATUM
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Gross receipts taxes	\$ 131,865	\$ 131,865	\$ 291,126	\$ (10,609)	\$ 280,517	\$ 159,261
Property taxes	16,463	16,463	20,434	(198)	20,236	3,971
Franchise taxes	-	-	21,659	(921)	20,738	21,659
Public service taxes	35,313	35,313	37,618	(375)	37,243	2,305
Intergovernmental:						
Federal	-	-	70,703	(4,763)	65,940	70,703
State	274,806	274,806	189,213	4,215	193,428	(85,593)
Charges for services	7,291	7,291	7,186	-	7,186	(105)
Licenses and permits	1,900	1,900	1,600	-	1,600	(300)
Fines and forfeitures	62,715	62,715	116,750	-	116,750	54,035
Interest	-	-	103	-	103	103
Miscellaneous	81,675	81,675	-	-	-	(81,675)
Total revenues	612,028	612,028	756,392	(12,651)	743,741	144,364
Expenditures:						
Current:						
General government	243,362	243,362	206,959	7,433	214,392	36,403
Public safety	386,706	386,706	456,723	1,095	457,818	(70,017)
Culture and recreation	-	-	38,459	411	38,870	(38,459)
Capital outlay	-	-	18,678	-	18,678	(18,678)
Total expenditures	630,068	630,068	720,819	8,939	729,758	(90,751)
Excess (deficiency) of revenues over expenditures	(18,040)	(18,040)	35,573	(21,590)	13,983	53,613
Other Financing Sources (Uses):						
Transfers in	17,500	17,500	6,176	-	6,176	(11,324)
Transfers (out)	(20,000)	(20,000)	(77,516)	-	(77,516)	(57,516)
Total other financing sources (uses)	(2,500)	(2,500)	(71,340)	-	(71,340)	(68,840)
Net change	(20,540)	(20,540)	(35,767)	\$ (21,590)	\$ (57,357)	(15,227)
Cash balance, beginning of year	137,918	137,918	137,918			-
Restatements	3,599	3,599	3,599			-
Cash balance, beginning of year, restated	141,517	141,517	141,517			-
Cash balance, end of year	\$ 120,977	\$ 120,977	\$ 105,750			\$ (15,227)
Explanation of Differences:						
Change in receivables				\$ (11,959)		
Change in accounts payable				(6,386)		
Change in accrued salaries				(1,082)		
Change in accrued payroll taxes				(1,471)		
Change in deferred revenues				(692)		
				<u>\$ (21,590)</u>		

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Joint Utility Enterprise Fund</u>
Assets:	
Current assets:	
Cash	\$ 100,464
Receivables, net:	
Accounts	37,228
Taxes	<u>15,174</u>
Total current assets	152,866
Capital assets:	
Land	8,320
Utility system and facilities	2,079,796
Vehicles, equipment and other assets	1,157,635
Less accumulated depreciation	<u>(1,361,949)</u>
Total capital assets, net	<u>1,883,802</u>
Total assets	2,036,668
Liabilities:	
Current liabilities:	
Accounts payable	10,107
Accrued salaries	1,334
Accrued liabilities	2,187
Customer deposits	21,578
Current maturities of:	
Compensated absences	<u>4,570</u>
Total current liabilities	39,776
Noncurrent liabilities:	
Compensated absences	<u>1,524</u>
Total liabilities	41,300
Net Assets:	
Invested in capital assets	1,883,802
Unrestricted	<u>111,566</u>
Total net assets	<u><u>\$ 1,995,368</u></u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Joint Utility Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 359,577
Operating Expenses:	
Personnel services	209,362
Utilities	21,303
Contractual services	50,162
Repairs and maintenance	5,340
Insurance claims and expenses	13,485
Other operating expenses	87,500
Depreciation	<u>141,785</u>
Total operating expenses	<u>528,937</u>
Operating (loss)	(169,360)
Non-operating revenues:	
Gross receipts taxes	<u>95,232</u>
(Loss) before contributions and transfers	(74,128)
Capital contributions	331,509
Transfers in	<u>16,969</u>
Change in net assets	274,350
Net assets, beginning of year	2,062,795
Restatements	<u>(341,777)</u>
Net assets, beginning of year, restated	<u>1,721,018</u>
Net assets, end of year	<u><u>\$ 1,995,368</u></u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Joint Utility Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 351,794
Cash payments to suppliers for goods and services	(177,183)
Cash payments to employees for services	<u>(212,934)</u>
Net cash (used) by operating activities	(38,323)
Cash flows from non-capital financing activities:	
Cash received from gross receipts taxes	98,829
Net change in customer deposits	2,775
Transfers in	<u>16,969</u>
Net cash provided by non-capital financing activities	118,573
Cash flows from capital and related financing activities:	
Capital contributions	331,509
Acquisition of capital assets	<u>(353,777)</u>
Net cash (used) by capital and related financing activities	<u>(22,268)</u>
Net increase in cash	57,982
Cash and cash equivalents, beginning of year	37,409
Restatement	<u>5,073</u>
Cash and cash equivalents, beginning of year, restated	<u>42,482</u>
Cash and cash equivalents, end of year	<u><u>\$ 100,464</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating (loss)	\$ (169,360)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	141,785
Bad debts	200
Changes in assets and liabilities:	
(Increase) in accounts receivable	(7,983)
Increase in accounts payable	607
Increase in accrued salaries	207
Increase in payroll taxes liability	215
(Decrease) in compensated absences	<u>(3,994)</u>
Total adjustments	<u>131,037</u>
Net cash (used) by operating activities	<u><u>\$ (38,323)</u></u>

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>
Assets:	
Cash	<u>\$ 1,001</u>
Liabilities:	
Deposits held for others	<u>\$ 1,001</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Tatum (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. 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 proprietary funds, the Town has not chosen to do so.

A. Reporting Entity

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

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

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

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

Based upon the application of these criteria, there are no component units of the Town. The Town is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2012.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating 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 Town's water, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the Town, except for items included in other funds.

The *town hall renovation fund* is a capital projects fund used to account for state of New Mexico appropriation and associated expenditures for the renovation of the town hall. The construction project was completed during the fiscal year ended June 30, 2012.

The *park improvement fund* is a capital projects fund used to account for improvement to the municipal park. The Town has received funding from a private foundation located in Hobbs, New Mexico for the purpose of providing new playground equipment and other improvements to the park.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Town reports the following major business-type fund:

The *joint utility fund* is used to account for the provision of water, sewer, and solid waste services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The Town maintains eleven other governmental funds that are considered nonmajor funds; ten are classified as special revenue funds, and one is classified as a capital projects fund. A description of each nonmajor governmental fund is as follows:

The *fire fund* accounts for the proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires that these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Town's fire department.

The *emergency medical services (EMS) fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. The municipality also accounts for all ambulance revenues for services provided. This state grant comes through the New Mexico Department of Health per EMS regulation DOH 94-11. The fund was created by local ordinance. Section 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-10A-7, NMSA 1978 restricts expenditures from the fund from only emergency medical services.

The *law enforcement protection fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, section 29-13.1 through 29-13.9, NMSA 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

The *local government correction fund* accounts for the fees assessed by the municipal judge and collected by the municipality. Those revenues are legally restricted to expenditures for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

The *recreation fund* accounts for receipts which are restricted for use in recreational areas only. The fund was established by local ordinance.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *public safety fund* accounts for receipts and expenditures from the federal government to enhance law enforcement in regards to illegal drug traffic. The fund was established by local ordinance.

The *senior citizens fund* accounts for the operation and maintenance of the senior citizens transportation and health awareness program. The municipality provides out-of-town transportation for senior citizens seeking medical services. Funding is provided by federal, state, and local sources. The federal funding source is: Title III-B, funded by the United States Department of Health and Human Services and passed through the state of New Mexico. The state funds are authorized by the New Mexico General Appropriations Act (Chapter 3, 1999 Laws of New Mexico). The fund was established by local ordinance.

The *special building fund* accounts for revenues and expenditures associated with the rental and maintenance of a municipal building used as a grocery store for the residents of the Town. The fund was established by local ordinance.

The *cemetery fund* accounts for funds received from sale of lots and donations for the purpose of maintaining a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978.

The *environmental fund* accounts for revenue received from environmental gross receipts tax, which is restricted to solid waste expenditures. The Town reevaluated the method of accounting for the environmental gross receipts tax and has concluded that such funds should be accounted for within the joint utility fund.

The *Dallas building improvement fund* is a capital projects fund used to account for intergovernmental revenues received from Lea County for the construction of a museum.

The Town reports the following agency fund:

The *municipal court fund* is an agency fund used to account for receipts and disbursements collected by the municipal court.

D. Budgets

Budgets for all funds are prepared by management and approved by the Board of Trustees and the New Mexico Department of Finance and Administration. The clerk-treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Board of Trustees for approval by resolution.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration.

During the current year, the Town did not amend or change its original budget.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the Town's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Interfund Receivables and Payables

Activities between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

3. Prepaid Items

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

4. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as *deposits held in trust for others*.

5. Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

6. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The Town defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Net revenue bond interest cost incurred during construction is capitalized when material.

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

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets (continued)

<u>Assets</u>	<u>Years</u>
Utility system	10-50
Infrastructure	10-50
Buildings and other improvements	10-40
Machinery and equipment, including computer software	5-10

7. Compensated Absences

Town employees may accumulate limited amounts of vacation. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

Full-time Town employees accrue annual leave according to the following schedule:

- One through ten years of employment accrue at a rate of six and forty-seven tenths (6.47) hours per pay period.
- Ten years or more accrue at a rate of eight and thirty-one tenths (8.31) hours per pay period.

Two hundred fifty is the maximum hours an employee may accrue at any given time.

Employees are allowed to accumulate unlimited sick leave at a rate of three and sixty-nine (3.69) per hour. The employees are not allowed to convert unused sick leave into salary at separation from employment.

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the Town. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as property taxes that are not available are recorded as deferred revenues and reflected as a liability within the balance sheet.

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

For the fiscal year ended June 30, 2012, the only long-term obligation is the compensated absences liability.

11. Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the Town, not restricted for any project or other purpose.

12. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Fund Equity (continued)

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The board of trustees and town clerk-treasurer has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

F. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. Cash Flows

For the purpose of the statement of cash flows, the Town considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters

3. Use of Estimates

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

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

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

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Town maintains cash in two financial institutions located in Lea County with one bank having a branch in Tatum. The Town's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the two financial institutions.

As of June 30, 2012, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Western Commerce Bank	\$ 347,298	\$ (25,648)	\$ 321,650
Lea County State Bank	91,276	(5,677)	85,599
Total cash deposits	<u>\$ 438,574</u>	<u>\$ (31,325)</u>	<u>\$ 407,249</u>

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Assets:	
Cash	\$ 406,248
Statement of Fiduciary Assets and Liabilities:	
Cash	1,001
Total cash reported on financial statements	\$ 407,249

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Town. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Town carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Western Commerce Bank	Lea County State Bank
Total deposit in bank	\$ 347,298	\$ 91,276
Less FDIC insurance	287,370	250,000
Uninsured public funds	59,928	-
Pledged collateral held by pledging bank's agent, but not in the Town's name	327,274	-
Uninsured and uncollateralized public funds	\$ -	\$ -
Total pledged collateral	\$ 327,274	\$ -
50% pledged collateral requirement per state statute	29,964	-
Pledged collateral (under) over the requirement	\$ 297,310	\$ -

A detailed listing of the pledged collateral is contained in the supplemental financial information section this report.

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$59,928 of the Town’s bank balance of \$438,574 was exposed to custodial credit risk as follows:

	Western Commerce Bank
Uninsured and collateral held by agent, not in Town’s name	\$ 59,928

3. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2012 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 44,189	\$ 38,183
Allowance for doubtful accounts	(36,391)	(955)
Accounts receivable, net	\$ 7,798	\$ 37,228
Taxes receivable:		
Gross receipts	\$ 44,555	\$ 15,174
Franchise	3,135	-
Property	2,098	-
Public service	2,964	-
Allowance for doubtful accounts	-	-
Taxes receivable, net	\$ 52,752	\$ 15,174

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

3. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Intergovernmental receivables:		
Multiple services agreement	\$ 17,500	\$ -
Municipal court improvements	8,586	-
Economic development grants	2,972	-
Senior citizens grants	8,297	-
Allowance for doubtful accounts	-	-
	<u>37,355</u>	<u>-</u>
Intergovernmental receivables, net	<u>\$ 37,355</u>	<u>\$ -</u>
Contributions receivable	\$ 32,288	\$ -
Allowance for doubtful accounts	-	-
	<u>32,288</u>	<u>-</u>
Contributions receivable, net	<u>\$ 32,288</u>	<u>\$ -</u>

The Town's policy is to provide for uncollectible accounts based upon expected defaults.

4. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Lea County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Lea County Treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2011, was \$4.225 per \$1,000 for non-residential and \$3.460 for residential property. In the year 2011, there was no tax rate established for payment of bonds principal and interest.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

5. CAPITAL ASSETS

During the fiscal year, the Town performed an intensive inventory and review of its capital assets and the subsidiary records. The Town discovered errors in the amounts reported at June 30, 2011 within the governmental and business-type activities. The result of the changes is as follows:

	Balance 06/30/11	Restatement	Restated Balance 06/30/11
Governmental activities:			
Land	\$ 29,221	\$ 24,957	\$ 54,178
Construction in progress	-	93,737	93,737
	29,221	118,694	147,915
Total capital assets, not being depreciated			
Other capital assets being depreciated:			
Buildings and improvements	1,249,289	339,322	1,588,611
Infrastructure	-	551,651	551,651
Furniture, fixtures and equipment	1,066,245	570,859	1,637,104
	2,315,534	1,461,832	3,777,366
Total other capital assets, being depreciated			
Accumulated depreciation:			
Buildings and improvements	(287,835)	(250,166)	(538,001)
Infrastructure	-	(130,068)	(130,068)
Furniture, fixtures and equipment	(724,623)	(627,595)	(1,352,218)
	(1,012,458)	(1,007,829)	(2,020,287)
Total accumulated depreciation			
Other capital assets, net	1,303,076	454,003	1,757,079
Total capital assets, net	\$ 1,332,297	\$ 572,697	\$ 1,904,994
Business-type activities:			
Land	\$ 17,000	\$ (8,680)	\$ 8,320
Construction in progress	1,539,894	(1,519,530)	20,364
	1,556,894	(1,528,210)	28,684
Total capital assets, not being depreciated			
Other capital assets being depreciated:			
Buildings and improvements	1,186,453	(1,186,453)	-
Utility system	-	1,710,165	1,710,165
Furniture, fixtures and equipment	661,708	495,927	1,157,635
	1,848,161	1,019,639	2,867,800
Total other capital assets, not being depreciated			

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

5. CAPITAL ASSETS (continued)

	Balance 06/30/11	Restatement	Restated Balance 06/30/11
Accumulated depreciation:			
Buildings and improvements	(931,079)	931,079	-
Utility system	-	(500,279)	(500,279)
Furniture, fixtures and equipment	(440,223)	(279,662)	(719,885)
Total accumulated depreciation	<u>(1,371,302)</u>	<u>151,138</u>	<u>(1,220,164)</u>
Other capital assets, net	<u>476,859</u>	<u>1,170,777</u>	<u>1,647,636</u>
Total capital assets, net	<u>\$ 2,033,753</u>	<u>\$ (357,433)</u>	<u>\$ 1,676,320</u>

Governmental activities capital assets for the fiscal year ended June 30, 2012 are as follows:

	Restated Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Governmental activities:				
Land	\$ 54,178	\$ -	\$ -	\$ 54,178
Construction in progress	93,737	447,352	(494,450)	46,639
Total capital assets, not being depreciated	147,915	447,352	(494,450)	100,817
Other capital assets being depreciated:				
Buildings and improvements	1,588,611	494,450	-	2,083,061
Infrastructure	551,651	18,678	-	570,329
Furniture, fixtures and equipment	1,637,104	-	-	1,637,104
Total other capital assets, being depreciated	3,777,366	513,128	-	4,290,494
Accumulated depreciation:				
Buildings and improvements	(538,001)	(50,642)	-	(588,643)
Infrastructure	(130,068)	(14,405)	-	(144,473)
Furniture, fixtures and equipment	(1,352,218)	(60,185)	-	(1,412,403)
Total accumulated depreciation	<u>(2,020,287)</u>	<u>(125,232)</u>	<u>-</u>	<u>(2,145,519)</u>
Other capital assets, net	<u>1,757,079</u>	<u>387,896</u>	<u>-</u>	<u>2,144,975</u>
Total capital assets, net	<u>\$ 1,904,994</u>	<u>\$ 835,248</u>	<u>\$ (494,450)</u>	<u>\$ 2,245,792</u>

Depreciation expense was charged to functions (programs) as follows:

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

5. CAPITAL ASSETS (continued)

General government	\$ 38,383
Public safety	75,558
Culture and recreation	4,614
Health and welfare	<u>6,677</u>
	<u>\$ 125,232</u>

Business-type activities capital assets for the fiscal year ended June 30, 2012 are as follows:

	Restated Balance 06/30/11	Increases	Decreases	Balance 06/30/12
Business-type activities:				
Land	\$ 8,320	\$ -	\$ -	\$ 8,320
Construction in progress	<u>20,364</u>	<u>343,968</u>	<u>(364,332)</u>	<u>-</u>
Total capital assets, not being depreciated	28,684	343,968	(364,332)	8,320
Other capital assets being depreciated:				
Utility system	1,710,165	369,631	-	2,079,796
Furniture, fixtures and equipment	<u>1,157,635</u>	<u>-</u>	<u>-</u>	<u>1,157,635</u>
Total other capital assets, being depreciated	2,867,800	369,631	-	3,237,431
Accumulated depreciation:				
Utility system	(500,279)	(39,848)	-	(540,127)
Furniture, fixtures and equipment	<u>(719,885)</u>	<u>(101,937)</u>	<u>-</u>	<u>(821,822)</u>
Total accumulated depreciation	<u>(1,220,164)</u>	<u>(141,785)</u>	<u>-</u>	<u>(1,361,949)</u>
Other capital assets, net	<u>1,647,636</u>	<u>227,846</u>	<u>-</u>	<u>1,875,482</u>
Total capital assets, net	<u>\$ 1,676,320</u>	<u>\$ 571,814</u>	<u>\$ (364,332)</u>	<u>\$ 1,883,802</u>

6. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	Governmental Activities	Business-Type Activities
Payroll taxes payable	\$ 1,308	\$ 1,547
Retirement health care payable	1,184	417
Health insurance payable	<u>1,666</u>	<u>223</u>
	<u>\$ 4,158</u>	<u>\$ 2,187</u>

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. LONG-TERM OBLIGATIONS

During the fiscal year, the Town discovered errors were reflected in the accrued compensated absences reported as of June 30, 2011. The Town has restated the balances at June 30, 2011 as follows:

	Balance 06/30/11	Restatement	Restated Balance 06/30/11
Compensated absences	\$ 10,210	\$ 11,632	\$ 21,842

Changes in the governmental activities obligations during the year ended June 30, 2012 as follows:

	Restated Balance 06/30/11	Increases	Decreases	Balance 06/30/12	Amounts Due Within One Year
Compensated absences	\$ 21,842	\$ 32,919	\$ (40,356)	\$ 14,405	\$ 10,804

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities Long-Term Obligations

During the fiscal year, the Town discovered errors were reflected in the accrued compensated absences reported within the business-type activities as of June 30, 2011. The Town has restated the balances at June 30, 2011 as follows:

	Balance 06/30/11	Restatement	Restated Balance 06/30/11
Compensated absences	\$ 8,367	\$ 1,721	\$ 10,088

Changes in the business-type activities obligations during the year ended June 30, 2012 were as follows:

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM OBLIGATIONS (continued)

	Restated Balance 06/30/11	Increases	Decreases	Balance 06/30/12	Amounts Due Within One Year
Compensated absences	\$ 10,088	\$ 11,422	\$ (15,416)	\$ 6,094	\$ 4,570

8. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2012, the Town incurred expenditures over appropriations of the following amounts and funds:

Fund	Amount
General	\$ 148,267
Public Safety	44,004
Senior Citizens	22,021
Dallas Building Improvement	6,452
Corrections	6,074
Special Building	2,525
Joint Utility	1,775
Recreation	661

The Town will establish a procedure to ensure appropriate controls over the purchasing process, including timely budget adjustments where required.

9. INTERFUND TRANSFERS

	Transfers In				Total
	General Fund	Town Hall Renovation Fund	Joint Utility Fund	Other Governmental Funds	
Transfers (out):					
General Fund	\$ -	\$ 13,339	\$ 16,969	\$ 47,208	\$ 77,516
Other Governmental Funds	6,176	-	-	-	6,176
	<u>\$ 6,176</u>	<u>\$ 13,339</u>	<u>\$ 16,969</u>	<u>\$ 47,208</u>	<u>\$ 83,692</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

10. BAD DEBT EXPENSE

Governmental Activities - During the current fiscal year, the Town recorded bad debt expense by reducing gross ambulance fees of \$34,376 by \$5,435. Ambulance fees are reflected as public safety charges for services revenue in the government-wide statement of activities and charges for services within the EMS fund.

Business-Type Activities - The Town recorded bad debt expense of \$200 by reducing water sales.

11. RESTATEMENT OF NET ASSETS AND FUND BALANCES

The prior year's statements of financial position of the government-wide activities and individual funds, omitted certain assets and liabilities or those assets and liabilities presented contained errors and misstatements in order for the financial statements to be in conformity accounting principles generally accepted in the United States of America. As a result, the following restatements have been made to the beginning equity amounts both on the government-wide statements and the individual fund statements:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
Capital assets were understated	\$ 572,697		
Compensated absences were understated	(11,632)		
Non-current portions of property receivables were not properly reflected as a portion of net assets.		733	
<i>Major Funds</i>			
General Fund			
Cash was understated	3,599		\$ 3,599
Gross receipts taxes receivables were understated	55,164		55,164
Franchise taxes receivables were understated	4,056		4,056
Property tax receivables were understated	1,604		1,604
Public service tax receivables were understated	3,339		3,339
Intergovernmental receivables were understated	29,606		29,606
Accounts payable were understated	(6,753)		(6,753)
Accrued salaries were understated	(3,334)		(3,334)
Accrued payroll liabilities were understated	(2,161)		(2,161)
Deferred revenues were understated	(733)		(733)
General fund restatement			\$ 84,387
Town Hall Renovation Fund			
Accounts payable were understated	(59,865)		\$ (59,865)

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

11. RESTATEMENT OF NET ASSETS AND FUND BALANCES (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Joint Utility Fund			
Environmental fund cash reported in utility fund		\$ 5,073	\$ 5,073
Accounts receivable were understated		29,445	29,445
Gross receipts tax receivable were understated		18,771	18,771
Capital assets were overstated		(357,433)	(357,433)
Accounts payable were understated		(14,010)	(14,010)
Accrued salaries were understated		(1,127)	(1,127)
Accrued payroll liabilities were understated		(1,972)	(1,972)
Customer deposits were understated		(18,803)	(18,803)
Accrued compensated absences were overstated		(1,721)	(1,721)
			<u>\$ (341,777)</u>
 <i><u>Nonmajor Funds</u></i>			
Fire Fund			
Intergovernmental receivables were understated	1,974		\$ 1,974
Accounts payable were understated	(4,107)		(4,107)
Accrued payroll liabilities were understated	(3)		<u>(3)</u>
			<u>\$ (2,136)</u>
EMS Fund			
Cash was overstated	143		\$ 143
Ambulance receivables were understated	5,533		5,533
Accounts payable were understated	(383)		(383)
Accrued salaries were understated	(120)		<u>(120)</u>
			<u>\$ 5,173</u>
Corrections Fund			
Cash was overstated	(287)		\$ (287)
Accounts payable were understated	(1,494)		<u>(1,494)</u>
			<u>\$ (1,781)</u>
Recreation Fund			
Deposits were understated	(750)		<u>\$ (750)</u>
Public Safety Fund			
Intergovernmental receivables were understated	3,588		\$ 3,588
Accrued salaries were understated	(577)		(577)
Accrued payroll taxes were understated	(373)		<u>(373)</u>
			<u>\$ 2,638</u>

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

11. RESTATEMENT OF NET ASSETS AND FUND BALANCES (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Senior Citizens Fund			
Intergovernmental receivables were understated	4,682		\$ 4,682
Accounts payable were understated	(328)		(328)
Accrued salaries were understated	(572)		(572)
Accrued payroll taxes were understated	(460)		(460)
Senior Citizens fund restatement			<u>\$ 3,322</u>
Cemetery Fund			
Accrued payroll taxes were understated	(7)		<u>\$ (7)</u>
Environmental Fund			
Activity related to Joint Utility Fund	(5,073)		<u>\$ (5,073)</u>
Dallas Building Improvement Fund			
Intergovernmental receivables were understated	2,138		<u>\$ 2,138</u>
Government-wide activities restatements	<u>\$ 589,844</u>	<u>\$ (341,777)</u>	

12. PENSION PLAN

The Town does not participate in the state of New Mexico public employees' retirement plan, and does not offer any retirement benefits at this time.

13. POST-EMPLOYMENT BENEFITS-STATE HEALTHCARE PLAN

Plan Description

The Town of Tatum contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

13. POST-EMPLOYMENT BENEFITS-STATE HEALTHCARE PLAN (continued)

Plan Description (continued)

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended **June 30, 2012**, the statute required each participating employer to contribute **1.834%** of each participating employee's annual salary; each participating employee was required to contribute **.917%** of their salary. In the fiscal year ending **June 30, 2013**, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	2.00%	1.00%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

13. POST-EMPLOYMENT BENEFITS-STATE HEALTHCARE PLAN (continued)

Funding Policy (continued)

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town of Tatum's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$10,432, \$14,650 and \$12,684, respectively, which equal the required contributions for each year.

14. CONSTRUCTION COMMITMENTS

The Town has entered into two construction commitments as described below:

- *Park Renovations Project* - The Town has received a grant from a private nonprofit foundation for the purpose of renovations to the municipal park. The Town has engaged a construction contractor to complete the work. The total amount of the project is \$400,000, which includes engineering fees. As of June 30, 2012, approximately nine and one-half percent (9.50%) of the project was complete. The Town anticipates the project will be completed by April 30, 2013.
- *Dallas Building Improvements* - The Town has received an economic development grant from Lea County in the amount of \$100,000. The funding has been provided to demolish and rebuild the Dallas Mercantile, which will be used as a community museum. The town has completed the project during the first six months of the next fiscal year. As of June 30, 2012, the Town capitalized \$8,590 of construction in progress costs. Those costs have been funded separately from the Lea County \$100,000 economic development grant.

15. SUBSEQUENT REVIEW

The Town of Tatum has evaluated subsequent events from July 1, 2012 through February 1, 2013, which is the date of the independent auditors' report.

16. RISK MANAGEMENT

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. The Town has purchased insurance from a commercial vendor and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

17. CONTINGENT LIABILITIES

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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
TOWN OF TATUM
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds										Capital Projects Fund	Total Other Governmental Funds	
	Fire Fund	EMS Fund	Law Enforcement Protection Fund	Corrections Fund	Recreation Fund	Public Safety Fund	Senior Citizens Fund	Special Building Fund	Cemetery Fund	Environmental Fund	Total Special Revenue Funds		Dallas Building Improvement Fund
ASSETS													
Cash	\$ 116,827	\$ 21,204	\$ 520	\$ 29,036	\$ 6,073	\$ -	\$ 7,153	\$ 12,104	\$ 7,117	\$ -	\$ 200,034	\$ -	\$ 200,034
Receivables, net:													
Accounts	-	7,798	-	-	-	-	-	-	-	-	7,798	-	7,798
Intergovernmental	-	-	-	-	-	-	8,297	-	-	-	8,297	-	8,297
Total assets	<u>\$ 116,827</u>	<u>\$ 29,002</u>	<u>\$ 520</u>	<u>\$ 29,036</u>	<u>\$ 6,073</u>	<u>\$ -</u>	<u>\$ 15,450</u>	<u>\$ 12,104</u>	<u>\$ 7,117</u>	<u>\$ -</u>	<u>\$ 216,129</u>	<u>\$ -</u>	<u>\$ 216,129</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 1,067	\$ 947	\$ -	1,613	\$ 559	\$ -	\$ 943	\$ 987	\$ 20	\$ -	\$ 6,136	\$ -	\$ 6,136
Accrued salaries	-	216	-	-	-	-	637	-	-	-	853	-	853
Accrued liabilities	8	12	-	-	3	-	495	-	8	-	526	-	526
Deposits payable	-	-	-	-	1,250	-	-	-	-	-	1,250	-	1,250
Total liabilities	1,075	1,175	-	1,613	1,812	-	2,075	987	28	-	8,765	-	8,765
Fund Balances:													
Committed for:													
Subsequent years' expenditures	-	-	520	-	-	-	7,153	-	-	-	7,673	-	7,673
Assigned	115,752	27,827	-	27,423	4,261	-	6,222	11,117	7,089	-	199,691	-	199,691
Total fund balances	115,752	27,827	520	27,423	4,261	-	13,375	11,117	7,089	-	207,364	-	207,364
Total liabilities and fund balances	<u>\$ 116,827</u>	<u>\$ 29,002</u>	<u>\$ 520</u>	<u>\$ 29,036</u>	<u>\$ 6,073</u>	<u>\$ -</u>	<u>\$ 15,450</u>	<u>\$ 12,104</u>	<u>\$ 7,117</u>	<u>\$ -</u>	<u>\$ 216,129</u>	<u>\$ -</u>	<u>\$ 216,129</u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds										Capital Projects Fund	Total Other Governmental Funds	
	Fire Fund	EMS Fund	Law Enforcement Protection Fund	Correcitons Fund	Recreation Fund	Public Safety Fund	Senior Citizens Fund	Special Building Fund	Cemetery Fund	Environment Fund	Total Special Revenue Funds		Dallas Building Improvement Fund
Revenues:													
Intergovernmental:													
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,702	\$ 8,291	\$ -	\$ -	\$ -	\$ 36,993	\$ -	\$ 36,993
State	73,576	7,000	21,200	-	-	-	52,585	-	-	-	154,361	6,452	160,813
Charges for services	-	28,941	-	-	2,865	-	2,468	6,000	8,920	-	49,194	-	49,194
Fines and forfeitures	-	-	-	29,545	-	-	-	-	-	-	29,545	-	29,545
Interest	119	-	-	-	-	6	-	-	-	-	125	-	125
Total revenues	73,695	35,941	21,200	29,545	2,865	28,708	63,344	6,000	8,920	-	270,218	6,452	276,670
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	6,655	-	-	6,655	-	6,655
Public safety	48,749	35,104	21,395	35,142	-	43,054	-	-	-	-	183,444	-	183,444
Culture and recreation	-	-	-	-	6,044	-	-	-	-	-	6,044	-	6,044
Health and welfare	-	-	-	-	-	-	94,716	-	4,512	-	99,228	-	99,228
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	6,452	6,452
Total expenditures	48,749	35,104	21,395	35,142	6,044	43,054	94,716	6,655	4,512	-	295,371	6,452	301,823
Excess (deficiency) of revenues over expenditures	24,946	837	(195)	(5,597)	(3,179)	(14,346)	(31,372)	(655)	4,408	-	(25,153)	-	(25,153)
Other Financing Sources (Uses):													
Transfers in	6,157	-	520	-	3,531	-	37,000	-	-	-	47,208	-	47,208
Transfers (out)	-	-	-	-	-	(4,038)	-	-	-	-	(4,038)	(2,138)	(6,176)
Total other financing sources and (uses)	6,157	-	520	-	3,531	(4,038)	37,000	-	-	-	43,170	(2,138)	41,032
Net change in fund balances	31,103	837	325	(5,597)	352	(18,384)	5,628	(655)	4,408	-	18,017	(2,138)	15,879
Fund balances, beginning of year	86,785	21,817	195	34,801	4,659	15,746	4,425	11,772	2,688	5,073	187,961	-	187,961
Restatements	(2,136)	5,173	-	(1,781)	(750)	2,638	3,322	-	(7)	(5,073)	1,386	2,138	3,524
Fund balances, beginning of year, restated	84,649	26,990	195	33,020	3,909	18,384	7,747	11,772	2,681	-	189,347	2,138	191,485
Fund balances, end of year	\$ 115,752	\$ 27,827	\$ 520	\$ 27,423	\$ 4,261	\$ -	\$ 13,375	\$ 11,117	\$ 7,089	\$ -	\$ 207,364	\$ -	\$ 207,364

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
TOWN OF TATUM
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 104,037	\$ 104,037	\$ 75,550	\$ (1,974)	\$ 73,576	\$ (28,487)
Interest	-	-	119	-	119	119
Total revenues	104,037	104,037	75,669	(1,974)	73,695	(28,368)
Expenditures:						
Current:						
Public safety	77,153	77,153	51,784	(3,035)	48,749	25,369
Excess of revenues over expenditures	26,884	26,884	23,885	1,061	24,946	(2,999)
Other Financing Sources (Uses):						
Transfers in	-	-	6,157	-	6,157	6,157
Net change	26,884	26,884	30,042	\$ 1,061	\$ 31,103	3,158
Cash balance, beginning of year	86,785	86,785	86,785			-
Cash balance, end of year	\$ 113,669	\$ 113,669	\$ 116,827			\$ 3,158
Explanation of Differences:						
Change in receivables				\$ (1,974)		
Change in accounts payable				3,040		
Change in accrued payroll liabilities				(5)		
				\$ 1,061		

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

STATE OF NEW MEXICO
TOWN OF TATUM
EMS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 7,387	\$ 7,387	\$ 7,000	\$ -	\$ 7,000	\$ (387)
Charges for services	24,081	24,081	26,676	2,265	28,941	2,595
Total revenues	31,468	31,468	33,676	2,265	35,941	2,208
Expenditures:						
Current:						
Public safety	42,897	42,897	34,432	672	35,104	8,465
Net change	(11,429)	(11,429)	(756)	\$ 1,593	\$ 837	10,673
Cash balance, beginning of year	21,817	21,817	21,817			-
Restatement	143	143	143			-
Cash balance, beginning of year, restated	21,960	21,960	21,960			-
Cash balance, end of year	\$ 10,531	\$ 10,531	\$ 21,204			\$ 10,673
Explanation of Differences:						
Change in receivables				\$ 7,700		
Bad debt expense				(5,435)		
Change in accounts payable				(672)		
				\$ 1,593		

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

STATE OF NEW MEXICO
TOWN OF TATUM
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 29,867	\$ 29,867	\$ 21,200	\$ -	\$ 21,200	\$ (8,667)
Expenditures:						
Current:						
Public safety	26,760	26,760	21,395	-	21,395	5,365
Excess (deficiency) of revenues over expenditures	3,107	3,107	(195)	-	(195)	(3,302)
Other Financing Sources (Uses):						
Transfers in	-	-	520	-	520	520
Net change	3,107	3,107	325	\$ -	\$ 325	(2,782)
Cash balance, beginning of year	195	195	195			-
Cash balance, end of year	\$ 3,302	\$ 3,302	\$ 520			\$ (2,782)

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

STATE OF NEW MEXICO
TOWN OF TATUM
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Fines and forfeitures	\$ 24,835	\$ 24,835	\$ 29,545	\$ -	\$ 29,545	\$ 4,710
Expenditures:						
Current:						
Public safety	28,949	28,949	35,023	119	35,142	(6,074)
Net change	(4,114)	(4,114)	(5,478)	<u>\$ (119)</u>	<u>\$ (5,597)</u>	(1,364)
Cash balance, beginning of year	34,801	34,801	34,801			-
Restatement	<u>(287)</u>	<u>(287)</u>	<u>(287)</u>			-
Cash balance, beginning of year, restated	<u>34,514</u>	<u>34,514</u>	<u>34,514</u>			-
Cash balance, end of year	<u>\$ 30,400</u>	<u>\$ 30,400</u>	<u>\$ 29,036</u>			<u>\$ (1,364)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (119)</u>		

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

STATE OF NEW MEXICO
TOWN OF TATUM
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 3,300	\$ 3,300	\$ 6,815	\$ (3,950)	\$ 2,865	\$ 3,515
Expenditures:						
Current:						
Culture and recreation	8,271	8,271	8,932	(2,888)	6,044	(661)
(Deficiency) of revenues over expenditures	(4,971)	(4,971)	(2,117)	(1,062)	(3,179)	2,854
Other Financing Sources (Uses):						
Transfers in	-	-	3,531	-	3,531	3,531
Net change	(4,971)	(4,971)	1,414	<u>\$ (1,062)</u>	<u>\$ 352</u>	6,385
Cash balance, beginning of year	4,659	4,659	4,659			-
Cash balance, end of year	<u>\$ (312)</u>	<u>\$ (312)</u>	<u>\$ 6,073</u>			<u>\$ 6,385</u>
Explanation of Differences:						
Change in accounts payable				\$ (559)		
Change in accrued payroll liabilities				(3)		
Change in deposits payable				(500)		
				<u>\$ (1,062)</u>		

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

STATE OF NEW MEXICO
TOWN OF TATUM
PUBLIC SAFETY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ -	\$ -	\$ 32,290	\$ (3,588)	\$ 28,702	\$ 32,290
Interest	-	-	6	-	6	6
Total revenues	-	-	32,296	(3,588)	28,708	32,296
Expenditures:						
Current:						
Public safety	-	-	44,004	(950)	43,054	(44,004)
(Deficiency) of revenues over expenditures	-	-	(11,708)	(2,638)	(14,346)	(11,708)
Other Financing Sources (Uses):						
Transfers (out)	-	-	(4,038)	-	(4,038)	(4,038)
Net change	-	-	(15,746)	<u>\$ (2,638)</u>	<u>\$ (18,384)</u>	(15,746)
Cash balance, beginning of year	<u>15,746</u>	<u>15,746</u>	<u>15,746</u>			<u>-</u>
Cash balance, end of year	<u>\$ 15,746</u>	<u>\$ 15,746</u>	<u>\$ -</u>			<u>\$ (15,746)</u>
Explanation of Differences:						
Change in accounts receivable				\$ (3,588)		
Change in accrued salaries				577		
Change in accrued payroll liabilities				373		
				<u>\$ (2,638)</u>		

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

STATE OF NEW MEXICO
TOWN OF TATUM
SENIOR CITIZENS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Budget	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 5,519	\$ 5,519	\$ 4,966	\$ 3,325	\$ 8,291	\$ (553)
State	59,055	59,055	52,295	290	52,585	(6,760)
Charges for services	481	481	2,468	-	2,468	1,987
Total revenues	65,055	65,055	59,729	3,615	63,344	(5,326)
Expenditures:						
Current:						
Health and welfare	71,980	71,980	94,001	715	94,716	(22,021)
(Deficiency) of revenues over expenditures	(6,925)	(6,925)	(34,272)	2,900	(31,372)	(27,347)
Other Financing Sources (Uses):						
Transfers in	2,500	2,500	37,000	-	37,000	34,500
Net change	(4,425)	(4,425)	2,728	\$ 2,900	\$ 5,628	7,153
Cash balance, beginning of year	4,425	4,425	4,425			-
Cash balance, end of year	\$ -	\$ -	\$ 7,153			\$ 7,153
Explanation of Differences:						
Change in accounts receivable				\$ 3,615		
Change in accounts payable				(615)		
Change in accrued salaries				(65)		
Change in accrued payable liabilities				(35)		
				\$ 2,900		

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

STATE OF NEW MEXICO
TOWN OF TATUM
SPECIAL BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	\$ 6,000	\$ -
Expenditures:						
Current:						
General government	3,143	3,143	5,668	987	6,655	(2,525)
Net change	2,857	2,857	332	<u>\$ (987)</u>	<u>\$ (655)</u>	(2,525)
Cash balance, beginning of year	11,772	11,772	11,772			-
Cash balance, end of year	<u>\$ 14,629</u>	<u>\$ 14,629</u>	<u>\$ 12,104</u>			<u>\$ (2,525)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (987)</u>		

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

STATE OF NEW MEXICO
TOWN OF TATUM
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Charges for services	\$ 4,213	\$ 4,213	\$ 8,920	\$ -	\$ 8,920	\$ 4,707
Expenditures:						
Health and welfare	<u>4,588</u>	<u>4,588</u>	<u>4,491</u>	<u>21</u>	<u>4,512</u>	<u>97</u>
Net change	(375)	(375)	4,429	<u>\$ (21)</u>	<u>\$ 4,408</u>	4,804
Cash balance, beginning of year	<u>2,688</u>	<u>2,688</u>	<u>2,688</u>			<u>-</u>
Cash balance, end of year	<u>\$ 2,313</u>	<u>\$ 2,313</u>	<u>\$ 7,117</u>			<u>\$ 4,804</u>
Explanation of Differences:						
Change in accounts payable				\$ (20)		
Change in accrued payroll liabilities				<u>(1)</u>		
				<u>\$ (21)</u>		

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

**CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
TOWN OF TATUM
TOWN HALL RENOVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 504,192	\$ 504,192	\$ 449,377	\$ -	\$ 449,377	\$ (54,815)
Expenditures:						
Current:						
General government	-	-	10,228	(10,228)	-	(10,228)
Capital outlay	504,192	504,192	452,488	(49,637)	402,851	51,704
Total expenditures	504,192	504,192	462,716	(59,865)	402,851	41,476
Excess (deficiency) of revenues over expenditures	-	-	(13,339)	59,865	46,526	(13,339)
Other Financing Sources (Uses):						
Transfers in	-	-	13,339	-	13,339	13,339
Net change	-	-	-	\$ 59,865	\$ 59,865	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in accounts payable				\$ 59,865		

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

STATE OF NEW MEXICO
TOWN OF TATUM
PARK IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Contributions	\$ 100,000	\$ 100,000	\$ 5,761	\$ 32,288	\$ 38,049	\$ (94,239)
Expenditures:						
Capital outlay	100,000	100,000	5,761	32,288	38,049	94,239
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in accounts receivable				\$ 32,288		
Change in accounts payable				(32,288)		
				\$ -		

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

STATE OF NEW MEXICO
TOWN OF TATUM
DALLAS BUILDING IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ -	\$ -	\$ 8,590	\$ (2,138)	\$ 6,452	\$ 8,590
Expenditures:						
Capital outlay	-	-	6,452	-	6,452	(6,452)
Excess of revenues over expenditures	-	-	2,138	(2,138)	-	2,138
Other Financing Sources (Uses):						
Transfers (out)	-	-	(2,138)	-	(2,138)	(2,138)
Net change	-	-	-	<u>\$ (2,138)</u>	<u>\$ (2,138)</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in accounts receivable				<u>\$ (2,138)</u>		

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

**MAJOR ENTERPRISE FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
TOWN OF TATUM
JOINT UTILITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 282,541	\$ 282,541	\$ 351,794	\$ 7,783	\$ 359,577	\$ 69,253
Operating Expenses:						
Personnel services	369,855	369,855	212,934	(3,572)	209,362	156,921
Utilities	-	-	19,952	1,351	21,303	(19,952)
Contractual services	-	-	50,162	-	50,162	(50,162)
Repairs and maintenance	-	-	7,921	(2,581)	5,340	(7,921)
Insurance claims and expenses	-	-	13,485	-	13,485	(13,485)
Other operating expenses	5,517	5,517	85,663	1,837	87,500	(80,146)
Depreciation expense	-	-	-	141,785	141,785	-
Total operating expenses	<u>375,372</u>	<u>375,372</u>	<u>390,117</u>	<u>138,820</u>	<u>528,937</u>	<u>(14,745)</u>
Operating (loss)	(92,831)	(92,831)	(38,323)	(131,037)	(169,360)	54,508
Non-Operating Revenues (Expenses):						
State shared taxes	71,116	71,116	98,829	(3,597)	95,232	27,713
Increase in customer deposits	-	-	2,775	(2,775)	-	2,775
Capital outlay	<u>(366,747)</u>	<u>(366,747)</u>	<u>(353,777)</u>	<u>353,777</u>	<u>-</u>	<u>12,970</u>
Total non-operating revenues (expenses)	(295,631)	(295,631)	(252,173)	347,405	95,232	43,458
Capital contributions	349,247	349,247	331,509	-	331,509	(17,738)
Transfers:						
Transfers in	<u>17,500</u>	<u>17,500</u>	<u>16,969</u>	<u>-</u>	<u>16,969</u>	<u>(531)</u>
Net change	(21,715)	(21,715)	57,982	<u>\$ 216,368</u>	<u>\$ 274,350</u>	79,697
Cash balance, beginning of year	37,409	37,409	37,409			-
Restatement	<u>5,073</u>	<u>5,073</u>	<u>5,073</u>			-
Cash balance, beginning of year, restated	<u>42,482</u>	<u>42,482</u>	<u>42,482</u>			-
Cash balance, end of year	<u>\$ 20,767</u>	<u>\$ 20,767</u>	<u>\$ 100,464</u>			<u>\$ 79,697</u>

Explanation of Differences:

Change in accounts receivable	\$ 7,983
Change in taxes receivable	(3,597)
Additions to capital assets	353,777
Change in accounts payable	(607)
Change in accrued salaries	(207)
Change in accrued payroll taxes	(215)
Change in customer deposits payable	(2,775)
Change in compensated absences	3,994
Depreciation expense	(141,785)
Bad debts	(200)
	<u>\$ 216,368</u>

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
TOWN OF TATUM
 SCHEDULE OF CHANGES IN ASSETS
 AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance 06/30/11</u>	<u>Increases/ Receipts</u>	<u>Decreases/ Disbursements</u>	<u>Balance 06/30/12</u>
Municipal Court				
Assets:				
Cash	<u>\$ 2,081</u>	<u>\$ 1,000</u>	<u>\$ (2,080)</u>	<u>\$ 1,001</u>
Liabilities:				
Deposits held for others	<u>\$ 2,081</u>	<u>\$ 1,000</u>	<u>\$ (2,080)</u>	<u>\$ 1,001</u>

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

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2012**

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Western Commerce Bank P.O. Box Drawer 1358 Carlsbad, New Mexico 88221-1358				
General	Checking	\$ 108,250	\$ (9,755)	\$ 98,495
Fire	Checking	1,469	(357)	1,112
Corrections	Checking	28,891	145	29,036
EMS	Checking	22,380	(1,174)	21,206
EMS	Checking	875	(877)	(2)
Law Enforcement	Checking	746	(226)	520
Recreation	Checking	3,138	-	3,138
Recreation	Checking	1,916	(231)	1,685
Recreation	Checking	1,250	-	1,250
Public Safety	Checking	4,038	(4,038)	-
Senior Citizens	Checking	7,425	(272)	7,153
Special Building	Checking	12,265	(160)	12,105
Cemetery	Checking	7,750	(633)	7,117
Joint Utility	Checking	81,926	(7,834)	74,092
Joint Utility	Checking	16,282	(76)	16,206
Joint Utility	Checking	1	-	1
Joint Utility	Checking	10,325	(160)	10,165
Agency	Checking	1,001	-	1,001
General	CD	7,254	-	7,254
Fire	CD	30,116	-	30,116
		<u>\$ 347,298</u>	<u>\$ (25,648)</u>	<u>\$ 321,650</u>
Lea County State Bank P.O. Box 400 Hobbs, New Mexico 88241				
Fire	Money Market	<u>\$ 91,276</u>	<u>\$ (5,677)</u>	<u>\$ 85,599</u>

STATE OF NEW MEXICO
TOWN OF TATUM
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2012

Western Commerce Bank
 102 S. Avenue A
 Tatum, New Mexico 88267

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FHLMC #420196	31346AGD1	11/01/30	\$ 6,341
GNMA #8004B	36202J3M8	07/20/22	11,243
GNMA #80391	36225CNH5	04/20/30	16,618
FHLMC #IG0083	3138NCCU6	03/01/35	49,095
FNMA #770744	31404KHV7	04/01/34	<u>243,977</u>
			<u>\$ 327,274</u>

The holder of the security pledged by Western Commerce Bank is Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, Texas 75261-9026.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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www.fierrocpa.com

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*

Hector H. Balderas, State Auditor
and
Mayor and Board of Trustees
Town of Tatum
Tatum, New Mexico

We 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 the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Tatum, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Town of Tatum is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Tatum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Tatum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Tatum's internal control over financial reporting.

Our 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, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These material weaknesses are identified as items 2011-02, 2011-04 and 2011-05.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. Those significant deficiencies are identified as items 2011-06, 2011-09, 2011-10, 2012-01, 2012-02, 2012-03 and 2012-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Tatum's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2011-05, 2011-06, 2011-10 and 2012-04.

We 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 items 2012-05, 2012-06 and 2012-07.

The Town of Tatum's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Tatum's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town of Tatum's Board of Trustees, others within the entities, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

February 1, 2013

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - FINANCIAL STATEMENTS FINDINGS

Item 2011-02 – Material Weakness – Accounting System

Statement of Condition – The Town is currently using accounting computer software for its general ledger and accounts payable function, which is not conducive to fund accounting required for governmental accounting and financial reporting. This software, while easy to use by individuals who do not have a great deal of formal accounting training or experience, allows corrections and changes to be easily made, which can be detrimental to the entire accounting process. To further complicate the situation, the accounting staff lacks the proper knowledge regarding governmental accounting requirements in order to adapt the computer software to meet the needs of fund accounting.

Criteria – Section 6-6-3(A) NMSA 1978 requires 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*” of the New Mexico Department of Finance and Administration. This requires the Town maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. Further, the general ledger must be able to substantiate detail as to the financial activity of the Town.

Statement on Auditing Standards (SAS) 115 paragraph 3 issued by the American Institute of Certified Public Accountants states the following: “*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations.*” Appropriate internal controls would include establishing a general ledger system that maintains financial data in such a matter that reliable financial reports can be generated.

Effect – The present general ledger accounting software, as utilized by the accounting staff, is incapable of producing reliable financial data needed for governmental financial reporting.

Cause – Due to financial constraints, the Town has opted to utilize a popular computer software for its general ledger, accounts payable and payroll function. This particular software, while inexpensive when compared to fund accounting packages, is not designed for fund accounting. Its market appeal is to the small commercial business owner.

Recommendation – We recommend the Town either purchase fund accounting software, or receive additional training in how to adapt their current software to fit the fund concept required by governmental accounting model.

Views of Responsible Officials and Planned Corrective Actions – We have already requested information about various fund accounting software, as well as gathering information from New Mexico Municipal League and other municipalities about further training in accounting for municipal clerks.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-04 – Material Weakness – Financial Statements and Disclosures

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

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

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

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states *“A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.”* SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

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

Cause – The Town’s staff lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-04 – Material Weakness – Financial Statements and Disclosures (continued)

Cause (continued) – In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

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

Views of Responsible Officials and Planned Corrective Actions – We are in the process of locating classes or seminars for further accounting training. The city clerk and deputy clerk have recently attended the conference for Governmental Finance Officers in December in an effort to expand our knowledge.

Item 2011-05 – Material Weakness – Legal Compliance with Adopted Budget

Statement of Condition – The following funds exceeded their respective approved budget as follows:

Fund	Authorized Budget	Actual Amounts Expended	Excess of Approved Budget
General Fund	\$ 650,068	\$ 798,335	\$ 148,267
Corrections Fund	28,949	35,023	6,074
Recreation Fund	8,271	8,932	661
Public Safety Fund	-	44,004	44,004
Senior Citizens Fund	71,980	94,001	22,021
Special Building Fund	3,143	5,668	2,525
Dallas Improvement Fund	-	6,452	6,452
Joint Utility Fund	742,119	743,894	1,775

Additionally, the recreation fund budgeted a deficit of \$312, as budgeted revenues of \$3,300 and beginning cash of \$4,659 was not sufficient to fund the budgeted expenditures of \$8,271.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures in excess of the approved budget, and make public officials liable for such expenditures. Town officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico state statutes subjects officials and employees to penalties and fines required by state statutes.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-05 – Material Weakness – Legal Compliance with Adopted Budget (continued)

Cause – Several factors are contributing to noncompliance with State budgetary statutes: (1) the municipality general ledger software does not have the ability to monitor expenditures with statutory limits; (2) the budget is not prepared by account number thus the staff cannot monitor individual accounts; (3) the Town’s financial personnel did not monitor the expenditures to ensure that they did not exceed the authorized budget, (4) no budget adjustments were made to the original budget; (5) the staff failed to prepare budgets for certain funds as they felt that the authorization existed in another fund; and (6) the staff used the incorrect beginning of year cash balance when preparing the recreation fund budget.

Recommendation – We recommend the following: (1) all funds reflect budgets where revenues and beginning cash is equal to budgeted expenditures; (2) budget amounts are prepared for **all** revenue and expenditure accounts; (3) a mechanism is developed to monitor the budget for all accounts; and (4) establish procedures that include, at a minimum, a comprehensive quarterly review of its budget. The review will allow the governing body to examine fiscal performance. It should include a comparison of revenues and expenditures to date to the approved budget. Finally, any budget adjustments deemed necessary should be presented to the governing board and the New Mexico Department of Finance and Administration, Local Government Division for their approval.

Views of Responsible Officials and Planned Corrective Actions – This will be much easier to resolve and control with a fund accounting program. We will also examine the budget quarterly with the governing body and department heads. We are now aware and able to submit budget adjustment requests with review and approval of the governing body, and the Department of Finance and Administration.

Item 2011-06 – Significant Deficiency – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2012, was due to the New Mexico State Auditor’s office by December 3, 2012. The audit report was submitted February 22, 2013.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the Town submit its audit report by the first working day of December following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – Additional time was needed by the current year’s auditors due to prior year’s financial statements, and the condition of the accounting records of the Town.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-06 – Significant Deficiency – Submission of Audit Report (continued)

Cause (continued) – The financial statements as of June 30, 2011, lacked the proper accrual of certain assets and liabilities while other assets, such as the capital assets, needed to be restated. Further, the current year’s general ledger contained numerous errors that needed to be corrected.

Recommendation – The June 30, 2012 balances are properly presented, thereby eliminating additional time required for the audit of the June 30, 2013 statements; however, the Town needs to address the accounting situation. We recommend the Town accounting staff receive additional training regarding accounting requirements for governmental agencies. Furthermore, we recommend the audit process begin shortly after year-end to provide ample time to meet the December deadline.

Views of Responsible Officials and Planned Corrective Actions – As stated previously, it is our intention to receive further training. We have tentatively scheduled our 2013 audit to begin in the early months of the upcoming fiscal year.

Item 2011-09 – Significant Deficiency – Documented Accounting Procedures

Statement of Condition – The Town has not documented its accounting procedures and internal controls into a formal procedure manual.

Criteria – Section 6-6-3(A) NMSA 1978 requires 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*” of the New Mexico Department of Finance and Administration. This would require the municipality to design and maintain internal controls which would enable it to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Effect – Without documented accounting procedures, the accounting staff lacks the proper guidance to ensure that procedures performed enhance or deter internal controls.

Cause – While the present accounting staff has a lot of enthusiasm and desire to perform their assigned duties, they lack the proper training and guidance to determine which accounting procedures performed enhance internal controls. The staff has not documented the Town’s accounting procedures.

Recommendation – We recommend the accounting staff consults with a public accounting firm to design, implement and document internal control procedures that safe guard the assets of the municipality.

Views of Responsible Officials and Planned Corrective Actions – The Town of Tatum is coordinating with an accountant on an internal control procedures policy for future implementation, to be distributed to the governing body as well as department heads.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-10 – Significant Deficiency – Grant Requirements

Statement of Condition – The Town failed to submit monthly reports to the Local Government Division of the New Mexico Department of Finance and Administration, for its Town Hall renovations grant award.

Criteria – The grant award required monthly reports to be submitted to the grantor in a timely fashion.

Effect – The project has been completed, and the grantor has accepted the final report for the project; however, noncompliance with grant requirements such as this may influence future decisions related to grant awards.

Cause – The Town did not understand its responsibility to submit monthly reports.

Recommendation – We recommend, in the future, the Town review all grants awarded to the Town in great detail to determine the administrative and accounting requirements. Proper procedures should be established to ensure full compliance with those requirements.

Views of Responsible Officials and Planned Corrective Actions – All future grant agreements will be read by our staff to ensure future compliance. We have already begun to utilize a tool for the documentation of requirements, as well as a record of dates of submission to the proper authorities.

Item 2012-01 – Significant Deficiency – Cash Disbursements

Statement of Condition – During our testing of the documentation retained in regards to the purchase of goods and services, we discovered the following deviations. Our sample size was twenty-five individual disbursements.

- The Town is not utilizing purchase vouchers to indicate the account routing of the transactions, along with providing evidence that the invoice provided by the vendor has been reviewed by management for correctness. The purchase voucher usually provides documentation that management has approved the invoice for payment. Further, there is no documentation providing support that the goods or services were received by the Town.
- Seven instances where the documentation retained by the Town lacked an invoice from the vendor.
- Two purchase requisitions that lacked approval signature.
- One instance in which the disbursement lacked a purchase order.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-01 – Significant Deficiency – Cash Disbursements (continued)

Statement of Condition (continued) –

- The purchase order and requisition are completed when the vendor invoice is received defeating the purpose of the purchase order and requisition. Such documents should be completed prior to the purchase. The accounting staff did not indicate on the purchase order or the requisition that sufficient budget authority existed when the purchase transaction is completed.

Criteria – Section 6-6-3(A) NMSA 1978 requires 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” of the New Mexico Department of Finance and Administration. This would require the Town to design accounting records such as properly completed purchase orders, requisitions and vouchers that would enable the accounting staff to record and process accounting data consistent with New Mexico state statutes.

Effect – If the Town does not prepare a purchase order or requisition, it runs the risk that purchases may be made in excess of the approved budget limitations. By not having receipts to support the purchase, the Town cannot determine whether or not they are paying for items that were for Town use.

Cause – The Town staff failed to ensure that all of the required documentation that supports the expenditure was in place prior to final disbursement.

Recommendation – We recommend the Town review its policies and procedures concerning cash disbursements. After such review, all necessary changes or adjustments should be instituted as soon as possible.

Views of Responsible Officials and Planned Corrective Actions – This recommendation will be included in our internal controls procedure policy to ensure proper compliance with the budget.

Item 2012-02 – Significant Deficiency – Merchant Card Transactions

Statement of Condition – During our testing of the documentation regarding the purchase of goods with a debt and gas card, we discovered the Town failed to properly maintain documentation to support the transactions. Our audit sample was twelve merchant card payments that totaled \$4,928. We noted forty-two of the forty-eight individual fuel and maintenance charges had no vendor invoice or receipt attached to the monthly merchant card statement. The total dollar amount of the missing invoices or receipts amounted to \$2,965.

Criteria – Section 6-6-3(A) NMSA 1978 requires 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” of the New Mexico Department of Finance and Administration.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-02 – Significant Deficiency – Merchant Card Transactions (continued)

Criteria (continued) – This would require the municipality to maintain accounting records such as cancelled invoices or receipts which provides substantiation for the expenditure of public funds in order to be in compliance with New Mexico state statutes.

Effect – Not maintaining vendor invoices or receipts to support the purchase could call into question the validity of the purchase.

Cause – Town staff assumed the merchant card statement would provide sufficient supporting documentation to support the purchase.

Recommendation – We recommend the Town retain all original invoices and receipts paid with a merchant card. For Town vehicle gasoline purchases, we recommend that a description of the vehicle in which the fuel was purchased, and the mileage, be recorded on the purchase invoice or receipt. Further, we recommend the maintenance of separate logs to indicate when gasoline was purchased for each vehicle, along with the odometer reading, thereby allowing management to monitor potential misuse of the fuel purchases.

Views of Responsible Officials and Planned Corrective Actions – We will create a log for each vehicle. It will be submitted at the end of each month and will require the vehicle license plate, the odometer reading and date. It will be accompanied by an original signature as well as the receipts for each transaction. Some of the changes have already been implemented.

Item 2012-03 – Significant Deficiency – Cash Receipts

Statement of Condition – During our testing of the Town's cash receipts transactions, we discovered the Town was not always issuing a receipt upon the collection of cash or checks for revenues belonging to the Town. Our audit sample was twenty-four receipts, twelve of which were from payments for utility charges that totaled \$18,369. We noted five instances where no receipt was issued by the Town. Of the five deviations, one was for a check in the amount of \$6,777 for drug task force revenues, while the remaining four transactions totaled \$235.

Criteria – Section 6-2-10 NMSA 1978 requires every public official of the state that receives public money, is to maintain a cash record which is entered daily. The cash record, which would include the daily receipts, should be balanced daily to show the balance of public money on hand at the close of each day's business.

Effect – Not issuing a receipt for each collection of public money at the time of the transaction could allow unintentional or intentional errors to occur, and not be detected and fully reconciled in a proper manner on a timely basis.

Cause – No written procedures have been established to mandate the issuing a receipt for all transactions concerning the collection of revenue; therefore, the accounting staff has been inconsistent regarding the issuance of receipts for all transactions.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-03 – Significant Deficiency – Cash Receipts (continued)

Recommendation – We recommend the Town create written policies and procedures requiring pre-numbered receipts, to be used for all revenues received by the Town.

Views of Responsible Officials and Planned Corrective Actions - We have begun using pre-numbered receipts to document all monies received by the Town of Tatum. This procedure will be added to our internal controls procedure policy.

Item 2012-04 – Significant Deficiency - Retiree Health Care Contributions

Statement of Condition – The Town is a member of the retiree health care system provided by the state of New Mexico. As part of our audit procedures, we tested the amounts remitted to the Retiree Health Care Authority (Authority) in order to ascertain compliance with the required contribution requirements. We selected two months of the fiscal year, and discovered the Town remitted the incorrect amount for both months. For the month of July 2011, contributions were under reported by \$170.53; and for the month of February 2012, contributions were over reported by \$46.29. Based on our testing, we suspect the other months in the fiscal year also contain discrepancies, thereby, indicating the Town failed to report one-hundred percent of the required contribution.

Criteria – Section 7C NMSA 1978 referred to at the *Retiree Health Care Act (Act)* provides statutory guidance regarding the benefit program. The New Mexico Administrative Code (NMAC) in particular Title 2, Chapter 81 Part 5 provides further guidance regarding the required contributions.

Effect – Noncompliance with the Act and the NMAC could subject officials and employees to punitive actions defined in New Mexico state statutes.

Cause – Within the payroll program, the accounting staff tagged certain employees subject to the Act and defined exempt wages. Apparently, errors have been made within the setup of the employee payroll records. When the Authority's monthly reports are prepared, the Town's staff has used the report generated by the payroll system and has not verified the correctness of the report.

Recommendation – We recommend the Town accounting staff verify the payroll accounts that identify employees subject to the Act. Further, we recommend that separate work sheets be completed that identifies each employee subject to the Act, and payments made to other individual who are not subject to the Act.

Views of Responsible Officials and Planned Corrective Actions – The RHC contributions have been troubling to our staff. We have been unable to receive a clear cut list of rules from the RHCA. We will prepare a monthly report for in house use to monitor the payments to RHC and insures that all employees that are required to contribute have done so.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-05 – Other – Presentation of Audit Report

Statement of Condition – The audit report for the year ended June 30, 2011 was not presented to a quorum of the Town’s governing authority at a public meeting for approval.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* section 2.2.2.10(J)(3)(d) states the following, “Once the audit report is officially released to the agency by the State Auditor and the required waiting period of five calendar days has passed, unless waived, the audit report shall be presented by the independent public accountant, to a quorum of the governing authority of the agency at a meeting held in accordance with the Open Meetings Act. The presentation of the audit report should be documented in the minutes of the meeting.”

Effect – The purpose of the presentation is to afford the auditor the opportunity to directly communicate the results of the audit, including the expression of the auditor’s opinion on the financial statements along with matters communicated in the report on internal controls that includes the audit findings. Without a timely presentation, appropriate action by the governing board, if necessary, could be delayed or foregone.

Cause – The Town was not aware of section 2.2.2.10(J)(3)(d) NMAC, and the previous year’s auditor failed to inform the Town of her responsibility to present the audit report to the governing board.

Recommendation – The Town should become familiar with section 2.2.2.10(J)(3)(d) NMAC, and establish a procedure to ensure compliance with the code section. The presentation should be on a timely basis so that appropriate action by the governing board, where necessary, can be taken.

Views of Responsible Officials and Planned Corrective Actions – All future audit reports will be presented to the governing body at the first council meeting following the official release by the office of the State Auditor and the waiting period of 5 days has passed. The auditor will be in attendance either at this meeting, or a later meeting, at which time the motion to accept the audit report will be requested by the governing body.

Item 2012-06 – Other – Anti-Donation Clause

Statement of Condition – During our review of the Board of Trustee’s minutes, we discovered the Trustee’s approved a notary charge of \$5.00 per stamp, which all Town trustees, the mayor and employees, are exempt from paying. This is in violation of the anti-donation clause, New Mexico Constitution Article IX, Section 14.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-06 – Other – Anti-Donation Clause (continued)

Criteria – New Mexico Constitution Article IX, Section 14 states, “neither the state, nor any Town, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a “gift”, an allocation or appropriation of something of value, without consideration.”

Effect – The Town is currently not in compliance with New Mexico Constitution, as it relates to the exemption from paying fees that would normally be charged to the general public.

Cause – The Town’s governing board, along with the staff, were unaware the waving of the notary charge for the board and employees would be a violation of the state’s anti-donation clause of the constitution.

Recommendation – We recommend the Board of Trustees rescind the resolution regarding the exemption of the notary charge for Town officials and employees. We also recommend the Board refrain from passing similar resolutions in the future.

Views of Responsible Officials and Planned Corrective Actions – The Town of Tatum will rescind the resolution regarding exemption of the payment by council members and employees of the notary charge. We will refrain from passing similar resolutions in the future.

Item 2012-07 – Other - Travel and Per Diem Reimbursements

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was twenty-five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were twenty-four instances where the travel request form did not reflect written approval by an authorized employee’s supervisor.
- There were twelve instances which required mileage (actual or per diem) reimbursement that were calculated incorrectly. The Town applied at rate of \$0.40 rather than the correct rate of \$0.41. In total, the employees were underpaid by \$33.34.
- There one instance where the employee received 100% advance for per diem and mileage prior to departure. The employee received the advance on June 25, 2012 and the travel to the conference was expected to occur on July 24, 2012. The total amount was \$388.40. In addition, the employee was reimbursed on 6-26-12 for the related conference fee in which the employee had paid on a personal credit card. The total amount of the fee was \$200.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-07 – Other - Travel and Per Diem Reimbursements (continued)

Statement of Condition (continued) –

- There was one instance where employee received 100% advance for per diem prior to departure. The expenditure occurred June 25, 2012 and the travel was expected to occur on July 24, 2012. The total amount was \$170.
- There were fourteen instances where employees received 100% advance for per diem and or mileage prior to departure.
- There were two instances where an addition error caused an underpayment of \$1.
- There were twelve instances that lacked certification by the employee upon their return.

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

Section 2.42.2.10(A) of the Travel and Per Diem regulations states, “*Employee’s (travel) request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.*”

Section 2.42.2.11(B) of the Travel and Per Diem regulations states, “*80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.*”

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

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

Recommendation – We recommend the Town begin by reviewing the Travel and Per Diem Act. Once a solid understanding of the Act is obtained, procedures should be established to ensure compliance with the Act. At a minimum, approval by an authorized supervisor, employee certification upon return, and 80% advance should be in place.

Views of Responsible Officials and Planned Corrective Actions – We have already implemented a new travel and per diem request form, and we will review the rate set as of January 1, of the previous year. The Travel and Per Diem Act will be set as our guidelines.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - PRIOR YEAR'S AUDIT FINDINGS

Item 2011-01 – Capital Asset Listing – The prior year's auditor noted deficiencies in the capital assets subsidiary ledgers. The auditor also noted the Town failed to conduct a physical inventory of all capital assets as required by New Mexico state statutes. The Town engaged a valuation firm to perform a detailed valuation and inventory of all capital assets. The firm provided the Town with a detailed listing of all assets owned by the municipality. The prior year's audit finding is considered resolved.

Item 2011-02 – Accounting System – The prior year's auditor noted within this finding that the Town's accounting records were not sufficient to provide reasonable assurance the financial statements were free of material misstatements. During the current year's audit, we noted deficiencies regarding the accounting software utilized by the Town. We have modified this finding and repeated it as Item 2011-02.

Item 2011-04 – Deficiencies in Internal Control over Financial Statements – The prior year's auditor noted the financial statements and related disclosures were not prepared by the Town's accounting staff. The finding has not been corrected. The audit finding has been modified and repeated as Item 2011-04 Financial Statements and Disclosures.

Item 2011-05 – Expenditures Exceeded Budget – This particular finding in the prior year's audit report noted the Town had several funds where expenditures exceeded the statutory budgetary limit. This condition existed for several funds during the current year. The finding has been modified and repeated as Item 2011-05 Legal Compliance with Authorized Budget.

Item 2011-06 – Audit Report Filed Late – The finding noted the audit report for the fiscal year ended June 30, 2011, was not submitted timely to the office of the New Mexico State Auditor. The current year's audit report was submitted after the required date; therefore the finding has been modified and repeated as Item 2011-06 Submission of Audit Report.

Item 2011-09 – Internal Controls – The prior year's auditor noted the Town did not have the internal control procedure documented in a written manual. The finding has not been corrected. The finding has been modified and repeated as Item 2011-09 Documented Accounting Procedures.

Item 2011-10 – Lack of Grant Monitoring – This finding noted the Town had not adequately monitored its federal and/or state grant activity. During the current audit report, we noted that the finding had not been corrected. The finding has been modified and repeated as Item 2011-10 Grant Requirements.

STATE OF NEW MEXICO
TOWN OF TATUM
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2012

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2012, was discussed during the exit conference held on February 21, 2013. Present for the Town was Marilyn Burns, mayor; Sharon Rambo, Town clerk-treasurer; Mandy Day, deputy clerk; Craig Dallas assistant. Present for the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Town of Tatum as of June 30, 2012. The Town's upper management have reviewed and approved the financial statements and related notes, and they believe that the Town's books and records adequately support them.