

**STATE OF NEW MEXICO
TOWN OF TATUM**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

STATE OF NEW MEXICO
TOWN OF TATUM
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STATE OF NEW MEXICO
TOWN OF TATUM
Directory of Officials
June 30, 2013

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 Day..... 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**Report on Financial Statements**

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 comparisons for the general fund and major special revenue fund of the Town of Tatum (Town), as of and for the year ended June 30, 2013, and all related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparison for the major capital projects and enterprise funds and the nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the Town as of June 30, 2013, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In our opinion, the budgetary comparisons for the general, major special revenue, major capital projects, major enterprise and all nonmajor funds referred to above present fairly, in all material respects, the budgetary comparisons of the Town for the year ended June 30, 2013, 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other supplemental financial information required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental financial information required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplemental financial information required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the Town's internal control over financial reporting and on 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

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

December 23, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 392,785	\$ 84,291	\$ 477,076
Receivables, net:			
Accounts	6,293	37,420	43,713
Taxes	105,033	2,159	107,192
Intergovernmental	4,706	-	4,706
Contributions	30,703	-	30,703
Restricted:			
Investments	49	-	49
Capital assets:			
Land and construction in progress	62,568	8,320	70,888
Other capital assets, net of depreciation	2,643,009	1,760,009	4,403,018
Total capital assets	<u>2,705,577</u>	<u>1,768,329</u>	<u>4,473,906</u>
Total assets	3,245,146	1,892,199	5,137,345
Liabilities			
Accounts payable	43,837	20,194	64,031
Accrued salaries	5,258	1,722	6,980
Accrued liabilities	4,960	1,980	6,940
Accrued interest payable	398	-	-
Deposits payable	1,900	22,014	23,914
Long-term liabilities:			
Due within one year	25,530	4,511	30,041
Due in more than one year	89,155	1,504	90,659
Total liabilities	<u>171,038</u>	<u>51,925</u>	<u>222,963</u>
Net Position			
Net investment in capital assets	2,607,411	1,768,329	4,375,740
Unrestricted	466,697	71,945	538,642
Total net position	<u>\$ 3,074,108</u>	<u>\$ 1,840,274</u>	<u>\$ 4,914,382</u>

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

STATE OF NEW MEXICO
TOWN OF TATUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 244,824	\$ 27,470	\$ 143,972	\$ 91,411	\$ 18,029	\$ -	\$ 18,029
Public safety	614,632	149,759	128,431	22,150	(314,292)	-	(314,292)
Culture and recreation	65,402	8,435	1,000	330,459	274,492	-	274,492
Health and welfare	101,335	9,530	57,415	22,500	(11,890)	-	(11,890)
Interest on long-term debt	1,854	-	-	-	(1,854)	-	(1,854)
Total governmental activities	1,028,047	195,194	330,818	466,520	(35,515)	-	(35,515)
Business-type activities:							
Water	166,812	107,314	-	-	-	(59,498)	(59,498)
Wastewater	173,875	73,979	-	-	-	(99,896)	(99,896)
Solid waste	193,937	156,053	-	-	-	(37,884)	(37,884)
Total business-type activities	534,624	337,346	-	-	-	(197,278)	(197,278)
Total	\$ 1,562,671	\$ 532,540	\$ 330,818	\$ 466,520	(35,515)	(197,278)	(232,793)
General Revenues:							
Gross receipts taxes					410,221	27,515	437,736
Property taxes, levied for general purposes					26,625	-	26,625
Franchise taxes					21,594	-	21,594
Public service taxes					35,372	-	35,372
Interest income					102	-	102
Donations					9,768	-	9,768
Special Item - Gain on sale of assets					331	15,155	15,486
Transfers					486	(486)	-
Total general revenues, special item and transfers					504,499	42,184	546,683
Change in net position					468,984	(155,094)	313,890
Net position, beginning of year					2,605,124	1,995,368	4,600,492
Net position, end of year					\$ 3,074,108	\$ 1,840,274	\$ 4,914,382

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, 2013**

	General Fund	Fire Fund	Park Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 150,042	\$ 155,844	\$ -	\$ 86,899	\$ 392,785
Receivables, net:					
Accounts	-	-	-	6,293	6,293
Taxes	105,033	-	-	-	105,033
Intergovernmental	1,761	-	-	2,945	4,706
Contributions	-	-	30,703	-	30,703
Restricted:					
Investments	-	-	-	49	49
Total assets	<u>\$ 256,836</u>	<u>\$ 155,844</u>	<u>\$ 30,703</u>	<u>\$ 96,186</u>	<u>\$ 539,569</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,148	\$ 497	\$ 30,703	\$ 7,489	\$ 43,837
Accrued salaries	4,651	-	-	607	5,258
Accrued liabilities	4,740	1	-	219	4,960
Deposits payable	-	-	-	1,900	1,900
Deferred revenues	1,785	-	-	-	1,785
Total liabilities	16,324	498	30,703	10,215	57,740
Fund Balances:					
Restricted for:					
Debt service	-	-	-	49	49
State mandated per statutes	-	155,346	-	41,049	196,395
Committed for:					
One twelfth budget reserve	59,527	-	-	-	59,527
Subsequent years' expenditures	-	-	-	22,670	22,670
Assigned	-	-	-	22,203	22,203
Unassigned	180,985	-	-	-	180,985
Total fund balances	<u>240,512</u>	<u>155,346</u>	<u>-</u>	<u>85,971</u>	<u>481,829</u>
Total liabilities and fund balances	<u>\$ 256,836</u>	<u>\$ 155,844</u>	<u>\$ 30,703</u>	<u>\$ 96,186</u>	<u>\$ 539,569</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 POSITION
JUNE 30, 2013

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

Total fund balance governmental funds (page six)	\$	481,829
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,705,577
Recognition of property tax revenue is reflected on full accrual basis within the statement of net position. Governmental funds recognize property tax on the modified accrual basis.		1,785
Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net position. Governmental funds recognize the interest as it becomes due.		(398)
Long-term liabilities that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(114,685)</u>
Net position of governmental activities (page four)	\$	<u><u>3,074,108</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, 2013

	General Fund	Fire Fund	Park Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Gross receipts taxes	\$ 410,221	\$ -	\$ -	\$ -	\$ 410,221
Property taxes	26,265	-	-	-	26,265
Franchise taxes	21,594	-	-	-	21,594
Public service taxes	35,372	-	-	-	35,372
Intergovernmental:					
Federal	-	-	-	4,903	4,903
State	174,200	86,317	-	207,825	468,342
Charges for services	21,970	-	-	33,328	55,298
Licenses and permits	3,125	-	-	-	3,125
Fines and forfeitures	112,248	-	-	18,157	130,405
Interest	13	87	-	2	102
Miscellaneous	831	-	-	9,268	10,099
Contributions	-	-	330,459	-	330,459
Total revenues	805,839	86,404	330,459	273,483	1,496,185
Expenditures:					
Current:					
General government	201,183	-	-	3,835	205,018
Public safety	416,528	36,963	-	73,951	527,442
Culture and recreation	48,535	-	-	7,079	55,614
Health and welfare	-	-	-	94,384	94,384
Capital outlay	22,150	16,847	330,459	231,950	601,406
Debt service:					
Interest and other charges	-	-	-	1,456	1,456
Total expenditures	688,396	53,810	330,459	412,655	1,485,320
Excess (deficiency) of revenues over expenditures	117,443	32,594	-	(139,172)	10,865
Other Financing Sources (Uses):					
Loan proceeds	-	-	-	98,166	98,166
Transfers in	1,319	7,000	-	41,198	49,517
Transfers (out)	(43,198)	-	-	(5,833)	(49,031)
Total other financing sources (uses)	(41,879)	7,000	-	133,531	98,652
Net change in fund balances	75,564	39,594	-	(5,641)	109,517
Fund balances, beginning of year	164,948	115,752	-	91,612	372,312
Fund balances, end of year	\$ 240,512	\$ 155,346	\$ -	\$ 85,971	\$ 481,829

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, 2013

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

Net change in fund balances - total governmental funds (page eight)	\$ 109,517
Governmental funds report capital outlay as expenditures in the amount of \$601,406; 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 \$141,621. The net adjustment is \$459,785.	459,785
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, 2012, deferred property taxes amount to \$1,425. The deferred property taxes for the current fiscal year amounted to \$1,785; therefore, the net adjustment is \$360.	360
The issuance of long-term debt provides current resources to the governmental funds; however, it is not recorded as income within the statement of activities.	(98,166)
Accrued interest expense not due within thirty days after year-end is not considered in the current period, and is not reported in the governmental funds. The recording of the accrued interest liability increases the interest expense within the statement of activities.	(398)
A increase in the compensated liability from the previous year results in a increase 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.	<u>(2,114)</u>
Change in net position of governmental activities (page five)	<u><u>\$ 468,984</u></u>

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ 303,965	\$ 303,965	\$ 362,589	\$ 47,632	\$ 410,221	\$ 58,624
Property taxes	19,983	19,983	20,907	5,358	26,265	924
Franchise taxes	20,382	20,382	20,958	636	21,594	576
Public service taxes	37,658	37,658	37,077	(1,705)	35,372	(581)
Intergovernmental:						
State	245,427	245,427	202,051	(27,851)	174,200	(43,376)
Charges for services	5,016	5,016	21,416	554	21,970	16,400
Licenses and permits	1,920	1,920	3,125	-	3,125	1,205
Fines and forfeitures	103,225	103,225	112,248	-	112,248	9,023
Interest	118	118	13	-	13	(105)
Miscellaneous	862	862	831	-	831	(31)
Total revenues	738,556	738,556	781,215	24,624	805,839	42,659
Expenditures:						
Current:						
General government	222,437	222,767	206,209	(5,026)	201,183	16,558
Public safety	386,330	406,000	418,150	(1,622)	416,528	(12,150)
Culture and recreation	-	-	48,535	-	48,535	(48,535)
Capital outlay	64,996	64,996	22,150	-	22,150	42,846
Total expenditures	673,763	693,763	695,044	(6,648)	688,396	(1,281)
Excess (deficiency) of revenues over expenditures	64,793	44,793	86,171	31,272	117,443	41,378
Other Financing Sources (Uses):						
Transfers in	-	20,000	1,319	-	1,319	(18,681)
Transfers (out)	(67,291)	(67,291)	(43,198)	-	(43,198)	24,093
Total other financing sources (uses)	(67,291)	(47,291)	(41,879)	-	(41,879)	5,412
Net change	(2,498)	(2,498)	44,292	\$ 31,272	\$ 75,564	46,790
Cash balance, beginning of year	105,750	105,750	105,750			-
Cash balance, end of year	<u>\$ 103,252</u>	<u>\$ 103,252</u>	<u>\$ 150,042</u>			<u>\$ 46,790</u>
Explanation of Differences:						
Change in receivables				\$ 24,984		
Change in accounts payable				7,991		
Change in accrued salaries				(235)		
Change in accrued payroll taxes				(1,108)		
Change in deferred revenues				(360)		
				<u>\$ 31,272</u>		

The accompanying notes are an integral part of these financial 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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ 90,660	\$ 90,660	\$ 86,317	\$ -	\$ 86,317	\$ (4,343)
Interest	134	134	87	-	87	(47)
Total revenues	<u>90,794</u>	<u>90,794</u>	<u>86,404</u>	<u>-</u>	<u>86,404</u>	<u>(4,390)</u>
Expenditures:						
Current:						
Public safety	53,933	53,933	37,540	(577)	36,963	16,393
Capital outlay	-	-	16,847	-	16,847	(16,847)
Total expenditures	<u>53,933</u>	<u>53,933</u>	<u>54,387</u>	<u>(577)</u>	<u>53,810</u>	<u>(454)</u>
Excess of revenues over expenditures	36,861	36,861	32,017	577	32,594	(4,844)
Other Financing Sources (Uses):						
Transfers in	-	-	7,000	-	7,000	7,000
Net change	<u>36,861</u>	<u>36,861</u>	<u>39,017</u>	<u>\$ 577</u>	<u>\$ 39,594</u>	<u>2,156</u>
Cash balance, beginning of year	<u>116,827</u>	<u>116,827</u>	<u>116,827</u>			<u>-</u>
Cash balance, end of year	<u>\$ 153,688</u>	<u>\$ 153,688</u>	<u>\$ 155,844</u>			<u>\$ 2,156</u>
Explanation of Differences:						
Change in accounts payable				\$ 570		
Change in accrued payroll liabilities				<u>7</u>		
				<u>\$ 577</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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Joint Utility Enterprise Fund</u>
Assets:	
Current assets:	
Cash	\$ 84,291
Receivables, net:	
Accounts	37,420
Taxes	<u>2,159</u>
Total current assets	123,870
Noncurrent assets:	
Capital assets:	
Land	8,320
Utility system and facilities	2,079,796
Vehicles, equipment and other assets	1,184,075
Less accumulated depreciation	<u>(1,503,862)</u>
Total capital assets, net	<u>1,768,329</u>
Total assets	1,892,199
Liabilities:	
Current liabilities:	
Accounts payable	20,194
Accrued salaries	1,722
Accrued liabilities	1,980
Customer deposits	22,014
Current maturities of:	
Compensated absences	<u>4,511</u>
Total current liabilities	50,421
Noncurrent liabilities:	
Compensated absences	<u>1,504</u>
Total liabilities	51,925
Net Position:	
Invested in capital assets	1,768,329
Unrestricted	<u>71,945</u>
Total net position	<u><u>\$ 1,840,274</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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Joint Utility Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 337,346
Operating Expenses:	
Personnel services	175,662
Utilities	20,780
Contractual services	56,920
Repairs and maintenance	9,043
Insurance claims and expenses	15,649
Other operating expenses	114,657
Depreciation	<u>141,913</u>
Total operating expenses	<u>534,624</u>
Operating (loss)	(197,278)
Non-operating revenues:	
Gross receipts taxes	<u>27,515</u>
(Loss) before transfers and special items	(169,763)
Transfers (out)	(486)
Special Items:	
Gain on sale of equipment	<u>15,155</u>
Change in net assets	(155,094)
Net position, beginning of year	<u>1,995,368</u>
Net position, end of year	<u><u>\$ 1,840,274</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, 2013

	<u>Joint Utility Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 376,486
Cash payments to suppliers for goods and services	(246,294)
Cash payments to employees for services	<u>(175,560)</u>
Net cash (used) by operating activities	(45,368)
Cash flows from non-capital financing activities:	
Cash received from gross receipts taxes	40,530
Net change in customer deposits	436
Transfers (out)	<u>(486)</u>
Net cash provided by non-capital financing activities	40,480
Cash flows from capital and related financing activities:	
Proceeds from sale of equipment	15,155
Acquisition of capital assets	<u>(26,440)</u>
Net cash (used) by capital and related financing activities	<u>(11,285)</u>
Net decrease in cash	(16,173)
Cash and cash equivalents, beginning of year	<u>100,464</u>
Cash and cash equivalents, end of year	<u><u>\$ 84,291</u></u>
Reconciliation of operating loss to net cash (used) by operating activities:	
Operating (loss)	\$ (197,278)
Adjustment to reconcile operating loss to net cash (used) by operating activities:	
Depreciation	141,913
Changes in assets and liabilities:	
(Increase) in accounts receivable	(192)
Increase in accounts payable	10,087
Increase in accrued salaries	388
(Decrease) in payroll taxes liability	(207)
(Decrease) in compensated absences	<u>(79)</u>
Total adjustments	<u>151,910</u>
Net cash (used) by operating activities	<u><u>\$ (45,368)</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, 2013

	<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, 2013

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).

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, 2013.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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, 2013

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 *fire fund* is a special revenue fund that 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.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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 nine other governmental funds that are considered nonmajor funds; seven are classified as special revenue funds, and two are classified as capital projects fund. A description of each nonmajor governmental fund is as follows:

The *emergency medical services (EMS) fund* is a special revenue fund that 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* is a special revenue fund that 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* is a special revenue fund that 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* is a special revenue fund that 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *senior citizens fund* is a special revenue fund that 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* is a special revenue fund that 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* is a special revenue fund that 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 *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 *senior citizens renovation fund* is a capital projects fund used to account for intergovernmental revenues under the community development block grant program for the planning, designing and construction improvements to the Town's senior citizen center. The fund was established by local ordinance.

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, 2013

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.

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, 2013

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, 2013

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 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.

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.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Long-Term Obligations (continued)

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.

11. Net Position

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

Net investment of capital assets – This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

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

Unrestricted net assets – This category reflects net position 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.

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.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Fund Equity (continued)

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, 2013**

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, 2013, 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	\$ 363,465	\$ (8,714)	\$ 354,751
Lea County State Bank	123,326	-	123,326
Total cash deposits	<u>\$ 486,791</u>	<u>\$ (8,714)</u>	<u>\$ 478,077</u>

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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	\$ 477,076
Statement of Fiduciary Assets and Liabilities:	
Cash	1,001
Total cash reported on financial statements	\$ 478,077

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	\$ 363,465	\$ 123,326
Less FDIC insurance	250,000	250,000
Uninsured public funds	113,465	-
Pledged collateral held by pledging bank's agent, but not in the Town's name	268,851	-
Uninsured and uncollateralized public funds	\$ -	\$ -
Total pledged collateral	\$ 268,851	\$ -
50% pledged collateral requirement per state statute	56,733	-
Pledged collateral (under) over the requirement	\$ 212,118	\$ -

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, 2013**

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. Demand deposits, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state are insured up to \$250,000 in aggregate.

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, 2013, \$113,465 of the Town’s bank balance of \$486,791 was exposed to custodial credit risk as follows:

	Western Commerce Bank
Uninsured and collateral held by agent, not in Town’s name	\$ 113,465
	\$ 113,465

3. INVESTMENTS

The amount reported as investments for the government within the financial statements are displayed as:

Statement of Net Position:	
Restricted investments	\$ 49
	\$ 49

The amount considered restricted investments are set aside as program receipts. The program receipts are funds available for utilization by the Town, and are restricted for purposes described within the loan agreement.

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the Town has cash held and invested with the NMFA. For the fiscal year ended June 30, 2013, NMFA has invested the funds in program pools. None of the cash invested can be specifically identified, since the Town's investment as cash from local governments within the state of New Mexico are invested within the pooled accounts.

NMFA - Program Funds

The Town has \$49 invested within the NMFA program funds pools. At June 30, 2013, the pool was composed of 44.49% money market funds and 55.51% fixed income U.S. Treasuries.

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. INVESTMENTS (continued)

Interest Rate Risk

Interest rate is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates, and the securities held in a portfolio will decline if market rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA program funds pool fund weighted average maturity is .089 WAM.

The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2013 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 44,122	\$ 38,292
Allowance for doubtful accounts	(37,829)	(872)
Accounts receivable, net	\$ 6,293	\$ 37,420
Taxes receivable:		
Gross receipts	\$ 92,187	\$ 2,159
Franchise	3,771	-
Property	7,816	-
Public service	1,259	-
Allowance for doubtful accounts	-	-
Taxes receivable, net	\$ 105,033	\$ 2,159
Intergovernmental receivables:		
Senior citizens grants	\$ 2,945	\$ -
Economic development grants	1,207	-
Operation DWI	554	-
Allowance for doubtful accounts	-	-
Intergovernmental receivables, net	\$ 4,706	\$ -
Contributions receivable	\$ 30,703	\$ -
Allowance for doubtful accounts	-	-
Contributions receivable, net	\$ 30,703	\$ -

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

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. 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 2012, was \$4.225 per \$1,000 for non-residential and \$3.467 for residential property. In the year 2012, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2013 are as follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Governmental activities:				
Land	\$ 54,178	\$ -	\$ -	\$ 54,178
Construction in progress	46,639	365,172	(403,421)	8,390
Total capital assets, not being depreciated	100,817	365,172	(403,421)	62,568
Other capital assets being depreciated:				
Buildings and improvements	2,083,061	403,421	-	2,486,482
Infrastructure	570,329	-	-	570,329
Furniture, fixtures and equipment	1,637,104	236,234	-	1,873,338
Total capital assets, not being depreciated	4,290,494	639,655	-	4,930,149

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS (continued)

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Accumulated depreciation:				
Buildings and improvements	(588,643)	(51,742)	-	(640,385)
Infrastructure	(144,473)	(14,405)	-	(158,878)
Furniture, fixtures and equipment	(1,412,403)	(75,474)	-	(1,487,877)
Total accumulated depreciation	<u>(2,145,519)</u>	<u>(141,621)</u>	<u>-</u>	<u>(2,287,140)</u>
Other capital assets, net	<u>2,144,975</u>	<u>498,034</u>	<u>-</u>	<u>2,643,009</u>
Total capital assets, net	<u>\$ 2,245,792</u>	<u>\$ 863,206</u>	<u>\$ (403,421)</u>	<u>\$ 2,705,577</u>

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

General government	\$ 38,383
Public safety	86,980
Culture and recreation	7,475
Health and welfare	8,783
	<u>\$ 141,621</u>

Business-type activities capital assets for the fiscal year ended June 30, 2013 are as follows:

	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013
Business-type activities:				
Land	\$ 8,320	\$ -	\$ -	\$ 8,320
Other capital assets being depreciated:				
Utility system	2,079,796	-	-	2,079,796
Furniture, fixtures and equipment	1,157,635	26,440	-	1,184,075
Total other capital assets, being depreciated	3,237,431	26,440	-	3,263,871
Accumulated depreciation:				
Utility system	(540,127)	(45,448)	-	(585,575)
Furniture, fixtures and equipment	(821,822)	(96,465)	-	(918,287)
Total accumulated depreciation	<u>(1,361,949)</u>	<u>(141,913)</u>	<u>-</u>	<u>(1,503,862)</u>
Other capital assets, net	<u>1,875,482</u>	<u>(115,473)</u>	<u>-</u>	<u>1,760,009</u>
Total capital assets, net	<u>\$ 1,883,802</u>	<u>\$ (115,473)</u>	<u>\$ -</u>	<u>\$ 1,768,329</u>

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	Governmental Activities	Business-Type Activities
Payroll taxes payable	\$ 2,531	\$ 1,490
Retirement health care payable	977	319
Health insurance payable	1,452	171
	<u>\$ 4,960</u>	<u>\$ 1,980</u>

8. LONG-TERM OBLIGATIONS

Governmental Activities Long-Term Obligations

Changes in the governmental activities obligations during the year ended June 30, 2013 as follows:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Note payable	\$ -	\$ 98,166	\$ -	\$ 98,166	\$ 13,141
Compensated absences	14,405	29,392	27,278	16,519	12,389
Total	<u>\$ 14,405</u>	<u>\$ 127,558</u>	<u>\$ 27,278</u>	<u>\$ 114,685</u>	<u>\$ 25,530</u>

Note Payable - NM Finance Authority Police Vehicles and Equipment

On August 31, 2012, the Town borrowed \$98,166 from the New Mexico Finance Authority for the purpose of purchasing three police vehicles and additional police equipment for use by the Town. The loan is to be repaid from the annual distribution of state law enforcement protection fund revenues distributed by the state of New Mexico Treasurer. The note matures May 1, 2020. The annual payment is \$14,843, and accrues interest at a blended rate of 1.237%. The following is a schedule of annual payments required for the note:

Due in Fiscal Year Ended June 30:	Principal	Interest	Total
2014	\$ 13,141	\$ 1,702	\$ 14,843
2015	13,876	967	14,843
2016	13,953	891	14,844
2017	14,059	784	14,843
2018	14,189	654	14,843
2019-2020	28,948	739	29,687
	<u>\$ 98,166</u>	<u>\$ 5,737</u>	<u>\$ 103,903</u>

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

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

Changes in the business-type activities obligations during the year ended June 30, 2013 were as follows:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Compensated absences	\$ 6,094	\$ 9,769	\$ (9,848)	\$ 6,015	\$ 4,511

9. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2013, the Town incurred expenditures over appropriations of the following amounts and funds:

Fund	Amount
Fire	\$ 454
EMS	8,659
Recreation	2,137
Cemetery	4,018
Joint Utility	32,325

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

**STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. INTERFUND TRANSFERS

	Transfers In			Total
	General Fund	Fire Fund	Other Governmental Funds	
Transfers (out):				
General Fund	\$ -	\$ 7,000	\$ 36,198	\$ 43,198
Other Governmental Funds	833	-	5,000	5,833
Joint Utility Fund	486	-	-	486
	\$ 1,319	\$ 7,000	\$ 41,198	\$ 49,517

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.

11. BAD DEBT EXPENSE

Governmental Activities - During the current fiscal year, the Town recorded bad debt expense by reducing gross ambulance fees of \$44,122 by \$1,438. 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.

12. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Public Employees Retirement Association (PERA) is the administrator of the state of New Mexico public employee retirement plan, which is a cost sharing, multiple-employer defined plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. Local governments have the opportunity to participate in the plan. The Town has not elected to participate in the public employee retirement plan.

13. SIMPLE IRA RETIREMENT PLAN

Commencing on January 22, 2013, the Town offered its employees the opportunity to participate in a individual retirement plan referred to as a SIMPLE IRA authorized by the Internal Revenue Code section 401(K). The Town has elected to match contributions on employee contributions of up to three percent of compensation. The Town's contribution for the year ended June 30, 2013 was \$3,720.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. 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.

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Funding Policy (continued)

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2013**, the statute required each participating employer to contribute **2.0%** of each participating employee's annual salary; each participating employee was required to contribute **1.0%** of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-16.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Town of Tatum's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$10,797, \$10,432 and \$14,650, respectively, which equal the required contributions for each year.

15. CONSTRUCTION COMMITMENTS

The Town has entered into the following construction commitment as described below:

- *Senior Citizens Building Renovations* - The Town has received a community development block grant from the state of New Mexico Department of Finance and Administration, acting through the Local Government Division. The purpose of the grant is for the planning, designing and construction improvements to the Town's senior citizen center. The amount of the grant is \$419,931. As of June 30, 2013, the Town had expended \$8,390 of engineering design costs. The Town anticipates the improvements to be completed by June 30, 2014.

16. SUBSEQUENT REVIEW

The Town of Tatum has evaluated subsequent events from July 1, 2013 through December 23, 2013, which is the date of the independent auditors' report.

STATE OF NEW MEXICO
TOWN OF TATUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

17. 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.

18. 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, 2013**

	Special Revenue Funds							Capital Projects Funds				Total Other Governmental Funds
	EMS Fund	Law Enforcement Protection Fund	Corrections Fund	Recreation Fund	Senior Citizens Fund	Special Building Fund	Cemetery Fund	Total Special Revenue Funds	Dallas Building Improvement Fund	Senior Citizens Renovation Fund	Total Capital Projects Funds	
ASSETS												
Cash	\$ 15,082	\$ 6,606	\$ 25,488	\$ 10,304	\$ 8,781	\$ 14,872	\$ 5,766	\$ 86,899	\$ -	\$ -	\$ -	\$ 86,899
Receivables, net:												
Accounts	6,293	-	-	-	-	-	-	6,293	-	-	-	6,293
Intergovernmental	-	-	-	-	2,945	-	-	2,945	-	-	-	2,945
Restricted:												
Investments	-	49	-	-	-	-	-	49	-	-	-	49
Total assets	<u>\$ 21,375</u>	<u>\$ 6,655</u>	<u>\$ 25,488</u>	<u>\$ 10,304</u>	<u>\$ 11,726</u>	<u>\$ 14,872</u>	<u>\$ 5,766</u>	<u>\$ 96,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,186</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$ 2,769	\$ -	1,633	\$ 645	\$ 832	\$ 1,590	\$ 20	\$ 7,489	\$ -	\$ -	\$ -	\$ 7,489
Accrued salaries	-	-	-	-	607	-	-	607	-	-	-	607
Accrued liabilities	2	-	-	-	217	-	-	219	-	-	-	219
Deposits payable	-	-	-	1,900	-	-	-	1,900	-	-	-	1,900
Total liabilities	2,771	-	1,633	2,545	1,656	1,590	20	10,215	-	-	-	10,215
Fund Balances:												
Restricted for:												
Debt service		49						49	-	-	-	49
State mandated per statutes	15,492	6,606	18,951					41,049	-	-	-	41,049
Committed for:												
Subsequent years' expenditures	3,112	-	4,904	4,584	10,070	-	-	22,670	-	-	-	22,670
Assigned	-	-	-	3,175	-	13,282	5,746	22,203	-	-	-	22,203
Total fund balances	<u>18,604</u>	<u>6,655</u>	<u>23,855</u>	<u>7,759</u>	<u>10,070</u>	<u>13,282</u>	<u>5,746</u>	<u>85,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,971</u>
Total liabilities and fund balances	<u>\$ 21,375</u>	<u>\$ 6,655</u>	<u>\$ 25,488</u>	<u>\$ 10,304</u>	<u>\$ 11,726</u>	<u>\$ 14,872</u>	<u>\$ 5,766</u>	<u>\$ 96,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,186</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, 2013

	Special Revenue Funds							Capital Projects Funds			Total Other Governmental Funds	
	EMS Fund	Law Enforcement Protection Fund	Correcitons Fund	Recreation Fund	Senior Citizens Fund	Special Building Fund	Cemetary Fund	Total Special Revenue Funds	Dallas Building Improvement Fund	Senior Citizens Bldg Renovation Fund		Total Capital Projects Funds
Revenues:												
Intergovernmental:												
Federal	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ -	\$ -	\$ 4,903	\$ -	\$ -	\$ -	\$ 4,903
State	18,602	21,800	-	-	76,012	-	-	116,414	91,411	-	91,411	207,825
Charges for services	16,488	-	-	1,310	2,855	6,000	6,675	33,328	-	-	-	33,328
Fines and forfeitures	-	-	18,157	-	-	-	-	18,157	-	-	-	18,157
Miscellaneous	-	-	-	100	3,791	-	-	3,891	5,377	-	5,377	9,268
Interest	-	2	-	-	-	-	-	2	-	-	-	2
Total revenues	35,090	21,802	18,157	1,410	87,561	6,000	6,675	176,695	96,788	-	96,788	273,483
Expenditures:												
Current:												
General government	-	-	-	-	-	3,835	-	3,835	-	-	-	3,835
Public safety	32,711	18,874	22,366	-	-	-	-	73,951	-	-	-	73,951
Culture and recreation	-	-	-	7,079	-	-	-	7,079	-	-	-	7,079
Health and welfare	-	-	-	-	91,366	-	3,018	94,384	-	-	-	94,384
Capital outlay	11,602	92,670	-	-	22,500	-	-	126,772	96,788	8,390	105,178	231,950
Devt service	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other charges	-	1,456	-	-	-	-	-	1,456	-	-	-	1,456
Total expenditures	44,313	113,000	22,366	7,079	113,866	3,835	3,018	307,477	96,788	8,390	105,178	412,655
Excess (deficiency) of revenues over expenditures	(9,223)	(91,198)	(4,209)	(5,669)	(26,305)	2,165	3,657	(130,782)	-	(8,390)	(8,390)	(139,172)
Other Financing Sources (Uses):												
Loan proceeds	-	98,166	-	-	-	-	-	98,166	-	-	-	98,166
Transfers in	-	-	641	9,167	23,000	-	-	32,808	-	8,390	8,390	41,198
Transfers (out)	-	(833)	-	-	-	-	(5,000)	(5,833)	-	-	-	(5,833)
Total other financing sources and (uses)	-	97,333	641	9,167	23,000	-	(5,000)	125,141	-	8,390	8,390	133,531
Net change in fund balances	(9,223)	6,135	(3,568)	3,498	(3,305)	2,165	(1,343)	(5,641)	-	-	-	(5,641)
Fund balances, beginning of year	27,827	520	27,423	4,261	13,375	11,117	7,089	91,612	-	-	-	91,612
Fund balances, end of year	\$ 18,604	\$ 6,655	\$ 23,855	\$ 7,759	\$ 10,070	\$ 13,282	\$ 5,746	\$ 85,971	\$ -	\$ -	\$ -	\$ 85,971

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

EMS FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ 8,400	\$ 8,400	\$ 18,602	\$ -	\$ 18,602	\$ 10,202
Charges for services	28,957	28,957	17,993	(1,505)	16,488	(10,964)
Total revenues	<u>37,357</u>	<u>37,357</u>	<u>36,595</u>	<u>(1,505)</u>	<u>35,090</u>	<u>(762)</u>
Expenditures:						
Current:						
Public safety	34,058	34,058	31,115	1,596	32,711	2,943
Capital outlay	-	-	11,602	-	11,602	(11,602)
Total expenditures	<u>34,058</u>	<u>34,058</u>	<u>42,717</u>	<u>1,596</u>	<u>44,313</u>	<u>(8,659)</u>
Net change	3,299	3,299	(6,122)	<u>\$ 3,101</u>	<u>\$ (9,223)</u>	(9,421)
Cash balance, beginning of year	<u>21,204</u>	<u>21,204</u>	<u>21,204</u>			<u>-</u>
Cash balance, end of year	<u>\$ 24,503</u>	<u>\$ 24,503</u>	<u>\$ 15,082</u>			<u>\$ (9,421)</u>
Explanation of Differences:						
Change in receivables				\$ (67)		
Bad debt expense				(1,438)		
Change in accounts payable				(1,822)		
Change in accrued payroll liabilities				10		
Change in accrued salaries				216		
				<u>\$ (3,101)</u>		

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 25,440	\$ 25,440	\$ 21,800	\$ -	\$ 21,800	\$ (3,640)
Interest	7	7	-	2	2	(7)
Total revenues	25,447	25,447	21,800	2	21,802	(3,647)
Expenditures:						
Current:						
Public safety	35,245	35,245	18,874	-	18,874	16,371
Capital outlay	98,166	98,166	-	92,670	92,670	98,166
Debt Service:						
Interest and other finance charges	-	-	-	1,456	1,456	-
Total expenditures	133,411	133,411	18,874	94,126	113,000	114,537
Excess (deficiency) of revenues over expenditures	(107,964)	(107,964)	2,926	(94,124)	(91,198)	110,890
Other Financing Sources (Uses):						
Loan proceeds	98,166	98,166	3,993	94,173	98,166	(94,173)
Transfers (out)	-	-	(833)	-	(833)	(833)
Total other financing sources and (uses)	98,166	98,166	3,160	94,173	97,333	(95,006)
Net change	(9,798)	(9,798)	6,086	\$ 49	\$ 6,135	15,884
Cash balance, beginning of year	520	520	520			-
Cash balance, end of year	\$ (9,278)	\$ (9,278)	\$ 6,606			\$ 15,884

Explanation of Differences:

Interest earned on program funds	\$ 2
Capital outlay purchases with loan proceeds	(92,670)
Loan proceeds received	94,173
Interest and other loan charges paid	(1,456)
	<u>\$ 49</u>

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 37,732	\$ 37,732	\$ 18,157	\$ -	\$ 18,157	\$ (19,575)
Expenditures:						
Current:						
Public safety	33,383	23,383	22,346	20	22,366	1,037
Excess (Deficiency) of revenues over expenditures	4,349	14,349	(4,189)	(20)	(4,209)	(18,538)
Other Financing Sources (Uses):						
Transfers in	-	-	641	-	641	641
Transfers (out)	-	(10,000)	-	-	-	10,000
Total other financing sources (uses)	-	(10,000)	641	-	641	10,641
Net change	4,349	4,349	(3,548)	<u>\$ (20)</u>	<u>\$ (3,568)</u>	(7,897)
Cash balance, beginning of year	29,036	29,036	29,036			-
Cash balance, end of year	<u>\$ 33,385</u>	<u>\$ 33,385</u>	<u>\$ 25,488</u>			<u>\$ (7,897)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (20)</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 4,588	\$ 4,588	\$ 4,010	\$ (2,700)	\$ 1,310	\$ (578)
Miscellaneous	-	-	100	-	100	100
Total revenues	4,588	4,588	4,110	(2,700)	1,410	(478)
Expenditures:						
Current:						
Culture and recreation	6,909	6,909	9,046	(1,967)	7,079	(2,137)
(Deficiency) of revenues over expenditures	(2,321)	(2,321)	(4,936)	(733)	(5,669)	(2,615)
Other Financing Sources (Uses):						
Transfers in	2,321	2,321	9,167	-	9,167	6,846
Net change	-	-	4,231	\$ (733)	\$ 3,498	4,231
Cash balance, beginning of year	6,073	6,073	6,073			-
Cash balance, end of year	\$ 6,073	\$ 6,073	\$ 10,304			\$ 4,231
Explanation of Differences:						
Change in accounts payable				\$ (86)		
Change in accrued payroll liabilities				3		
Change in deposits payable				(650)		
				\$ (733)		

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ 4,903	\$ -	\$ 4,903	\$ 4,903
State	77,597	77,597	81,364	(5,352)	76,012	3,767
Charges for services	-	-	2,855	-	2,855	2,855
Miscellaneous	2,490	2,490	3,791	-	3,791	1,301
Total revenues	<u>80,087</u>	<u>80,087</u>	<u>92,913</u>	<u>(5,352)</u>	<u>87,561</u>	<u>12,826</u>
Expenditures:						
Current:						
Health and welfare	95,937	90,937	91,785	(419)	91,366	(848)
Capital outlay	24,995	24,995	22,500	-	22,500	2,495
Total expenditures	<u>120,932</u>	<u>115,932</u>	<u>114,285</u>	<u>(419)</u>	<u>113,866</u>	<u>1,647</u>
(Deficiency) of revenues over expenditures	(40,845)	(35,845)	(21,372)	(4,933)	(26,305)	14,473
Other Financing Sources (Uses):						
Transfers in	33,692	33,692	23,000	-	23,000	(10,692)
Net change	(7,153)	(2,153)	1,628	<u>\$ (4,933)</u>	<u>\$ (3,305)</u>	3,781
Cash balance, beginning of year	<u>7,153</u>	<u>7,153</u>	<u>7,153</u>			<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 8,781</u>			<u>\$ 3,781</u>
Explanation of Differences:						
Change in accounts receivable				\$ (5,352)		
Change in accounts payable				111		
Change in accrued salaries				30		
Change in accrued payable liabilities				278		
				<u>\$ (4,933)</u>		

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 6,600	\$ 6,600	\$ 6,000	\$ -	\$ 6,000	\$ (600)
Expenditures:						
Current:						
General government	5,406	3,406	3,232	603	3,835	174
Net change	1,194	3,194	2,768	<u>\$ (603)</u>	<u>\$ 2,165</u>	(426)
Cash balance, beginning of year	<u>12,104</u>	<u>12,104</u>	<u>12,104</u>			-
Cash balance, end of year	<u>\$ 13,298</u>	<u>\$ 15,298</u>	<u>\$ 14,872</u>			<u>\$ (426)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (603)</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 9,984	\$ 9,984	\$ 6,675	\$ -	\$ 6,675	\$ (3,309)
Expenditures:						
Health and welfare	4,008	2,008	3,026	(8)	3,018	(1,018)
Excess of revenues over expenditures	5,976	7,976	3,649	8	3,657	(4,327)
Other Financing Sources (Uses):						
Transfers (out)	-	(2,000)	(5,000)	-	(5,000)	(3,000)
Net change	5,976	5,976	(1,351)	<u>\$ (8)</u>	<u>\$ (1,343)</u>	(7,327)
Cash balance, beginning of year	<u>7,117</u>	<u>7,117</u>	<u>7,117</u>			<u>-</u>
Cash balance, end of year	<u>\$ 13,093</u>	<u>\$ 13,093</u>	<u>\$ 5,766</u>			<u>\$ (7,327)</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (8)</u>		

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

**MAJOR CAPITAL PROJECT FUND
BUDGETARY COMPARISON 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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 400,000	\$ 400,000	\$ 332,044	\$ (1,585)	\$ 330,459	\$ (67,956)
Expenditures:						
Capital outlay	400,000	400,000	332,044	(1,585)	330,459	67,956
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in accounts receivables				\$ 1,585		
Change in accounts payable				(1,585)		
				\$ -		

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

**OTHER CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON 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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 100,000	\$ 100,000	\$ 91,411	\$ -	\$ 91,411	\$ (8,589)
Miscellaneous	-	-	5,377	-	5,377	5,377
Total revenues	100,000	100,000	96,788	-	96,788	(3,212)
Expenditures:						
Capital outlay	100,000	100,000	96,788	-	96,788	3,212
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -

Explanation of Differences:

None

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

STATE OF NEW MEXICO
TOWN OF TATUM
SENIOR CITIZENS BUILDING RENOVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 419,931	\$ 419,931	\$ -	\$ -	\$ -	\$ (419,931)
Expenditures:						
Capital outlay	441,931	441,931	8,390	-	8,390	433,541
Excess of revenues over expenditures	(22,000)	(22,000)	(8,390)	-	(8,390)	13,610
Other Financing Sources (Uses):						
Transfers in	22,000	22,000	8,390	-	8,390	(13,610)
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
None						

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 402,210	\$ 402,210	\$ 376,486	\$ (39,140)	\$ 337,346	\$ (25,724)
Operating Expenses:						
Personnel services	166,740	166,740	175,560	102	175,662	(8,820)
Utilities	18,662	18,662	20,500	280	20,780	(1,838)
Contractual services	6,705	6,705	57,256	(336)	56,920	(50,551)
Repairs and maintenance	7,873	7,873	6,600	2,443	9,043	1,273
Insurance claims and expenses	69,286	69,286	15,649	-	15,649	53,637
Other operating expenses	120,263	120,263	146,289	(31,632)	114,657	(26,026)
Depreciation expense	-	-	-	141,913	141,913	-
Total operating expenses	389,529	389,529	421,854	112,770	534,624	(32,325)
Operating income (loss)	12,681	12,681	(45,368)	(151,910)	(197,278)	(58,049)
Non-Operating Revenues (Expenses):						
State shared taxes	37,186	37,186	40,530	(13,015)	27,515	3,344
Sale of assets	495	495	15,155	-	15,155	14,660
Increase in customer deposits	-	-	436	(436)	-	436
Capital outlay	-	(26,440)	(26,440)	26,440	-	-
Total non-operating revenues (expenses)	37,681	11,241	29,681	12,989	42,670	18,440
Transfers:						
Transfers (out)	-	-	(486)	-	(486)	(486)
Net change	50,362	23,922	(16,173)	\$ (138,921)	\$ (155,094)	(40,095)
Cash balance, beginning of year	100,464	100,464	100,464			-
Cash balance, end of year	\$ 150,826	\$ 124,386	\$ 84,291			\$ (40,095)

Explanation of Differences:

Change in accounts receivable	\$ (39,140)
Change in taxes receivable	(13,015)
Additions to capital assets	26,440
Change in accounts payable	29,245
Change in accrued salaries	(388)
Change in accrued payroll taxes	207
Change in customer deposits payable	(436)
Change in compensated absences	79
Depreciation expense	(141,913)
	<u>\$ (138,921)</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, 2013

	<u>Balance</u> <u>06/30/12</u>	<u>Increases/</u> <u>Receipts</u>	<u>Decreases/</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/13</u>
Municipal Court				
Assets:				
Cash	<u>\$ 1,001</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</u>	<u>\$ 1,001</u>
Liabilities:				
Deposits held for others	<u>\$ 1,001</u>	<u>\$ 1,000</u>	<u>\$ (1,000)</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, 2013**

<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	\$ 144,649	\$ (1,878)	\$ 142,771
Fire	Checking	2,465	(132)	2,333
Corrections	Checking	25,491	(3)	25,488
EMS	Checking	13,336	(1,075)	12,261
EMS	Checking	2,821	-	2,821
Law Enforcement	Checking	6,606	-	6,606
Recreation	Checking	7,304	-	7,304
Recreation	Checking	1,100	-	1,100
Recreation	Checking	1,950	(50)	1,900
Public Safety	Checking	4,038	(4,038)	-
Senior Citizens	Checking	5,382	(182)	5,200
Senior Citizens	Checking	3,676	(105)	3,571
Senior Citizens	Checking	10	-	10
Special Building	Checking	14,372	500	14,872
Cemetery	Checking	5,766	-	5,766
Joint Utility	Checking	66,123	(1,467)	64,656
Joint Utility	Checking	19,919	(284)	19,635
Agency	Checking	1,001	-	1,001
General	CD	7,271	-	7,271
Fire	CD	30,185	-	30,185
		<u>\$ 363,465</u>	<u>\$ (8,714)</u>	<u>\$ 354,751</u>
Lea County State Bank P.O. Box 400 Hobbs, New Mexico 88241				
Fire	Money Market	<u>\$ 123,326</u>	<u>\$ -</u>	<u>\$ 123,326</u>

STATE OF NEW MEXICO
TOWN OF TATUM
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2013

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	\$ 5,943
GNMA #8004B	36202J3M8	07/20/22	10,250
GNMA #80391	36225CNH5	04/20/30	15,980
FHLMC #IG0083	3138NCCU6	03/01/35	40,457
FNMA #770744	31404KHV7	04/01/34	<u>196,221</u>
			<u><u>\$ 268,851</u></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

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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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*

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the Town of Tatum (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material 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 as items 2011-02, 2011-04, 2011-05, and 2011-09 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 test disclosed instances of noncompliance or other matters that are described in the accompanying schedule of findings and responses as items 2011-05, 2011-06, 2012-01, 2012-06, and 2012-07.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

December 23, 2013

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - FINANCIAL STATEMENTS FINDINGS

Item 2011-02 – Material Weakness – Accounting System

Statement of Condition – For the fiscal year ended June 30, 2013, the Town utilized accounting computer software for its general ledger, payroll and accounts payable functions that is not conducive to fund accounting required for governmental accounting and financial reporting. This particular accounting software has been utilized by the Town for many years. As a result of the prior year's audit finding regarding the accounting software, the Town has purchased a fund accounting software and is currently recording financial data in both accounting packages for the fiscal year ending June 30, 2014.

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.

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 purchased inexpensive and easy to use popular computer software for its general ledger, accounts payable and payroll functions. This particular software is not designed for fund accounting. Its market appeal is to the small commercial business owner.

Recommendation – We applaud the decision by management to improve the accounting system by purchasing accounting software that is designed for fund accounting. The use of this type of software will improve the Town's accounting system. We recommend the Town discontinue the use of the old software once the accounting personnel are confident the fund accounting software is working properly.

Views of Responsible Officials and Planned Corrective Actions – We have begun training with our new accounting software and are looking forward to utilizing proper accounting software.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

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 accounting staff is not qualified to understand the financial statements in accordance with GAAP. The staff has attended a training workshop and has purchased correspondence courses regarding governmental financial reporting. The staff has not completed the correspondence courses.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

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

Recommendation – We recommend the staff continue to attend educational workshops regarding financial reporting and complete the correspondence courses. An alternative approach would be to engage a qualified accountant or an accounting firm to provide consulting services regarding governmental financial reporting as required by GAAP.

Views of Responsible Officials and Planned Corrective Actions – Our intent is to complete our accounting class and enroll in additional training. We also intend to engage an accounting professional for guidance.

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
Fire Fund	\$ 53,933	\$ 54,387	\$ (454)
EMS Fund	34,058	42,717	(8,659)
Recreation Fund	6,909	9,046	(2,137)
Cemetery Fund	4,008	8,026	(4,018)
Joint Utility Fund	415,969	448,294	(32,325)

Additionally, the Law Enforcement Fund anticipated a deficit cash balance of \$9,278, as budgeted revenues of \$25,447, loan proceeds of \$98,166 and beginning cash of \$520 were not sufficient to fund the budgeted expenditures of \$133,411.

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.

Cause – Several factors contributed to the noncompliance with State budgetary statutes: (1) the Town’s general ledger software does not have the ability to monitor expenditures to determine statutory limits; (2) the Town’s financial personnel did not monitor the expenditures to ensure they did not exceed the authorized budget; (3) the accounting staff did not prepare budget adjustments to the original budget to ensure compliance with the final budget given the increase in expenditures; and (4) the accounting personnel did not retain detailed records to substantiate the budget by accounts.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

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

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 and proper retention of that information is retained; (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 – With our new software we will examine the budget quarterly with the department heads and council to eliminate this excess.

Item 2011-06 – Other – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2013, was due to the New Mexico State Auditor’s office by December 2, 2013. The audit report was submitted January 13, 2014.

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 – Unforeseen problems in completing other governmental audit reports in which the audit firm was involved occurred during 2013 which caused the delay in the submission of the Town’s audit report to the State Auditor’s office on a timely basis.

Recommendation – The unforeseen complications were very unusual and the submission of the reports in the future should be done on a timely basis. Furthermore, the accounting problems that exist in the non-fund accounting software should not exist when the fund accounting system is fully operational. That will assist the auditing firm in completing the audit report in timely manner. Finally, we suggest the accounting staff place a great deal of emphasis in getting the fund accounting software fully functional as soon as possible.

Views of Responsible Officials and Planned Corrective Actions – It is our intent to have the fund accounting system fully operational.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2011-09 – Material Weakness – Documented Accounting Procedures

Statement of Condition – The Town has not prepared a detailed accounting policies and procedures manual. The manual should detail policies and procedures for cash receipts, accounts payable, capital assets, utility billing, payroll, and the maintenance of the general ledger. The manual should also discuss financial reporting along with the adoption and maintenance of the budget. The Town has begun working on the manual; however, as of June 30, 2013, the detailed manual has not been completed.

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 – Since the accounting staff is small, time and resources have been expended on more pressing items during the fiscal year. The staff attempted to create a manual during the fiscal year; however, the manual is too highly summarized and does not provide detail as to the accounting policies and procedures utilized by the Town.

Recommendation – We recommend the Town continue to work on the manual and develop detailed procedures as to the required accounting policies.

Views of Responsible Officials and Planned Corrective Actions – We have taken this information seriously and plan to develop the more detailed procedures.

Item 2012-01 – Other – Cash Disbursements

Statement of Condition – During our testing of the documentation retained in regards to the purchase of goods and services, we tested forty transactions. We discovered the following deviations:

- A purchase requisition in the amount of \$116.38 lacked an approval signature.
- Three instances where purchase orders that totaled \$444.52 were created after the vendor's invoice was received by the Town.

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.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-01 – Other – Cash Disbursements (continued)

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.

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

Recommendation – We recommend the Town staff, including all department heads, review its policies and procedures concerning cash disbursements. After such review, all necessary changes or adjustments should be instituted and included in the Town's accounting policy.

Views of Responsible Officials and Planned Corrective Actions – We now have this in our policies and changes have been implemented.

Item 2012-06 – Other – Anti-Donation Clause

Statement of Condition – During our testing of cash disbursements, we discovered the Town paid for a funeral flower bouquet, totaling \$106.87, for a member of the community. This is in violation of the anti-donation clause, New Mexico Constitution Article IX, Section 14.

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.”* This section is commonly referred to as the Anti-Donation Clause.

Effect – Non-compliance with the State Constitution subjects Town officials to penalties as required by state statutes.

Cause – The Town's governing board, along with the staff, were unaware of paying for a funeral flower bouquet for a member of the community, would be a violation of the state's anti-donation clause of the constitution.

Recommendation – We recommend the Town implement policies and procedures to ensure compliance with the Anti-Donation Clause.

Views of Responsible Officials and Planned Corrective Actions – The staff is now aware of the constraints of this law. It has been implemented into policy.

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-07 – Other – Per Diem and Mileage Act

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 twelve instances where the travel request form did not reflect written approval by the employee's authorized supervisor. The travel requests totaled \$2,619.09.
- There were eight instances which required mileage reimbursement that were calculated incorrectly. The Town applied at rate of \$0.44 rather than the correct rate of \$0.444. In total, the employees were underpaid by \$8.52.
- There one instance where an employee received 100% advance for per diem and mileage prior to departure. The employee received the advance on February 15, 2013 and the travel to the conference was expected to occur on February 19, 2013. The total amount was \$370.32.
- There were three instances where an addition error caused an underpayment of \$1.20.
- There was one instance where the form lacked certification by the employee upon their return from travel. The travel request totaled \$68.00.
- There were twelve instances where the travel request form was not complete. The travel requests totaled \$2,122.27.
- There were nine instances where the travel request form was not signed and approved by the Town Clerk. The travel requests totaled \$522.17.
- There were seven instances where no documentation for purpose of trip was attached to the travel request form. The travel requests totaled \$2,395.12.
- There were seven instances where employee was not paid for partial day. The employees were unpaid by a total of \$94.

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.*"

**STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)

Item 2012-07 – Other – Per Diem and Mileage Act (continued)

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

Views of Responsible Officials and Planned Corrective Actions – The staff now has a very strict procedure and each request is reviewed by two staff members.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS

Item 2011-02 – Accounting System – The audit finding noted the Town's accounting software was not sufficient to maintain fund accounting in order to provide governmental financial reports. During the current year's audit, the Town continued utilizing the software however they purchased a fund accounting software package. At this time the finding is not considered resolved and is repeated as Item 2011-02.

Item 2011-04 – Financial Statements and Disclosures – The audit finding noted the financial statements and related disclosures were not prepared by the Town's accounting staff and they lacked the ability to comprehend the financial statement prepared. 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 – Legal Compliance with Adopted Budget – The finding 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 – Submission of Audit Report – The finding noted the audit report for the fiscal year ended June 30, 2012, 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 – Documented Accounting Procedures – The finding noted the Town did not have their 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.

STATE OF NEW MEXICO
TOWN OF TATUM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

STATUS OF PRIOR YEAR'S AUDIT FINDINGS (continued)

Item 2011-10 – Grant Requirements – The 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 been corrected. The finding is resolved.

Item 2012-01 – Cash Disbursements – The audit finding noted there were several deviations discovered on the cash disbursements testing. Similar deviations were noted during the current fiscal year and the finding is not considered resolved and is repeated as Item 2012-01.

Item 2012-02 – Merchant Card Transactions – The finding noted accounting documentation such as invoices for the purchase of goods with a credit card were noted consistently maintained within the accounting records. Our testing of credit card transactions for the current fiscal year after the completion of the prior year's audit revealed the Town corrected the deficiency in record keeping. The prior year finding is considered resolved.

Item 2012-03 – Cash Receipts – The finding revealed the Town was not always issuing a receipt upon the collection of cash or checks for revenues belonging to the Town. Our testing of cash receipt transactions for the current fiscal year after the completion of the prior year's audit revealed the Town corrected the deficiency in issuing cash receipts. The prior year finding is considered resolved.

Item 2012-04 – Retiree Health Care Contributions – The finding noted two months selected for testing revealed the Town failed to remit the proper amount of contributions to the Retiree Health Care Authority (Authority). Our testing of retiree health care contributions for the current fiscal year after the completion of the prior year's audit revealed the Town corrected the deficiency in reporting the proper contributions. The prior year finding is considered resolved.

Item 2012-05 – Presentation of Audit Report – The finding noted 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. The audit report for the fiscal year ended June 30, 2012 was presented to a quorum of the Town's governing authority at a public meeting for approval. The finding is considered resolved.

Item 2012-06 – Anti-Donation Clause – The audit finding noted the Trustee's approved a notary charge of \$5.00 per stamp, which all Town trustees, the mayor and employees were exempt from paying. The governing board rescinded the exemption correcting the violation of the anti-donation clause however we noted a different type of violation for the current year. The prior year's finding is not resolved and has been repeated as item 2012-06.

Item 2012-07 – Travel and Per Diem Reimbursements – The finding noted there were several errors made in the calculation and payment of travel and per diem reimbursements to Town officials and employees. Similar errors were noted in the current fiscal year. The audit finding is not considered resolved and is repeated as Item 2012-06.

STATE OF NEW MEXICO
TOWN OF TATUM
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2013

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on January 10, 2014. Present for the Town was Marilyn Burns, mayor; Sharon Rambo, Town clerk-treasurer; and Mandy Day, deputy clerk. 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, 2013. 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.