

**STATE OF NEW MEXICO  
TOWN OF TATUM**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2014**

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
Table of Contents  
June 30, 2014

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-3
 <b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position .....	4
Statement of Activities.....	5
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	6
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
General Fund .....	10
Fire Fund.....	11
 <b>Proprietary Funds Financial Statements:</b>	
<u>Enterprise Funds:</u>	
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	13
Statement of Cash Flows .....	14
 <b>Fiduciary Financial Statements:</b>	
Statement of Fiduciary Assets and Liabilities .....	15
Notes to the Financial Statements.....	16-39
 <b>SUPPLEMENTARY INFORMATION</b>	
<b>Combining and Individual Other Governmental Funds Financial Statements:</b>	
Combining Balance Sheet.....	40

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
 Table of Contents  
 June 30, 2014

	<u>PAGE</u>
<b>Combining and Individual Other Governmental Funds Financial Statements (continued):</b>	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	41
<b>Other Special Revenue Funds Budgetary Comparison Statements:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
EMS Fund .....	42
Law Enforcement Protection Fund .....	43
Corrections Fund.....	44
Recreation Fund.....	45
Senior Citizens Fund.....	46
Special Building Fund.....	47
Cemetery Fund .....	48
<b>Other Capital Project Funds Budgetary Comparison Statements:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis With Reconciliation to GAAP:	
Park Improvement Fund.....	49
Senior Citizens Building Renovation Fund.....	50
<b>Major Enterprise Fund Budgetary Comparison Statement:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis With Reconciliation to GAAP:	
Joint Utility Fund.....	51
<b>OTHER SUPPLEMENTAL FINANCIAL INFORMATION</b>	
Schedule of Changes in Assets and Liabilities - Agency Funds.....	52
Schedule of Cash Accounts .....	53
Schedule of Pledged Collateral .....	54

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
Table of Contents  
June 30, 2014

	<u><b>PAGE</b></u>
<b>ADDITIONAL INDEPENDENT AUDITORS' REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	55-56
Schedule of Findings and Responses .....	57-67
Exit Conference and Preparation of Financial Statements .....	68

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
Directory of Officials  
June 30, 2014

***ELECTED OFFICIALS***

Marilyn Burns ..... Mayor  
Philip Winteregg..... Mayor Pro-Tem, Councilor  
Norma Atkison ..... Councilor  
Leisha Joiner ..... Councilor  
Agustin Dorado ..... Councilor

***ADMINISTRATION***

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

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
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, 2014, 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 enterprise fund and all 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, 2014, 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and major special revenue fund 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, 2014, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major enterprise fund and all nonmajor funds for the year then ended in accordance with 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 Section 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 Section 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 Section 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 November 11, 2014 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

November 11, 2014

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 641,629	\$ 34,532	\$ 676,161
Receivables, net:			
Accounts	8,004	36,773	44,777
Taxes	105,417	2,257	107,674
Intergovernmental	7,388	-	7,388
Restricted:			
Investments	52	-	52
Capital assets:			
Land and construction in progress	107,424	8,320	115,744
Other capital assets, net of depreciation	2,618,197	1,617,315	4,235,512
Total capital assets	<u>2,725,621</u>	<u>1,625,635</u>	<u>4,351,256</u>
Total assets	<u>\$ 3,488,111</u>	<u>\$ 1,699,197</u>	<u>\$ 5,187,308</u>
Liabilities			
Accounts payable	\$ 24,843	\$ 29,066	\$ 53,909
Accrued salaries	7,033	2,224	9,257
Accrued liabilities	9,431	2,406	11,837
Accrued interest payable	161	-	161
Deposits payable	1,700	23,014	24,714
Long-term liabilities:			
Due within one year	25,426	3,528	28,954
Due in more than one year	78,718	3,534	82,252
Total liabilities	147,312	63,772	211,084
Net Position			
Net investment in capital assets	2,640,648	1,625,635	4,266,283
Restricted:			
Debt service	52	-	52
State mandated per statutes	163,190	-	163,190
Unrestricted	536,909	9,790	546,699
Total net position	<u>3,340,799</u>	<u>1,635,425</u>	<u>4,976,224</u>
Total liabilities and net position	<u>\$ 3,488,111</u>	<u>\$ 1,699,197</u>	<u>\$ 5,187,308</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, 2014**

Functions/Programs	Program Revenues				Primary Government Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities</b>							
General government	\$ 274,307	\$ 28,663	\$ 160,339	\$ -	\$ (85,305)	\$ -	\$ (85,305)
Public safety	638,261	140,842	106,377	52,555	(338,487)	-	(338,487)
Culture and recreation	100,543	7,023	-	15,630	(77,890)	-	(77,890)
Health and welfare	105,040	9,884	59,028	34,177	(1,951)	-	(1,951)
Interest on long-term debt	1,465	-	-	-	(1,465)	-	(1,465)
Total governmental activities	1,119,616	186,412	325,744	102,362	(505,098)	-	(505,098)
<b>Business-type activities</b>							
Water	167,465	136,797	-	-	-	(30,668)	(30,668)
Wastewater	136,866	39,623	-	-	-	(97,243)	(97,243)
Solid waste	220,533	142,783	-	-	-	(77,750)	(77,750)
Total business-type activities	524,864	319,203	-	-	-	(205,661)	(205,661)
Total primary government	\$ 1,644,480	\$ 505,615	\$ 325,744	\$ 102,362	(505,098)	(205,661)	(710,759)
<b>General revenues:</b>							
Sales tax					665,289	15,567	680,856
Property taxes, levied for general purposes					25,909	-	25,909
Franchise taxes					26,467	-	26,467
Public service taxes					38,333	-	38,333
Interest income					65	-	65
Donations					3,100	-	3,100
Special Item - Gain (loss) on sale (disposal) of assets					6,906	(24,246)	(17,340)
Transfers					(9,491)	9,491	-
Total general revenues special item and transfers					756,578	812	757,390
Change in net position					251,480	(204,849)	46,631
Net position, beginning of year					3,074,108	1,840,274	4,914,382
Restatements					15,211	-	15,211
Net position, beginning of year restated					3,089,319	1,840,274	4,929,593
Net position, end of year					\$ 3,340,799	\$ 1,635,425	\$ 4,976,224

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, 2014**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 423,462	\$ 163,922	\$ 54,245	\$ 641,629
Receivables, net:				
Accounts	600	-	7,404	8,004
Taxes	105,417	-	-	105,417
Intergovernmental	1,076	-	6,312	7,388
Restricted:				
Investments	-	-	52	52
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 530,555</u>	<u>\$ 163,922</u>	<u>\$ 68,013</u>	<u>\$ 762,490</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 15,496	\$ 605	\$ 8,742	\$ 24,843
Accrued salaries	5,904	100	1,029	7,033
Accrued liabilities	8,092	27	1,312	9,431
Deposits held	-	-	1,700	1,700
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	29,492	732	12,783	43,007
Deferred Inflows of Resources:				
Property taxes	486	-	-	486
Fund Balances:				
Restricted:				
Debt service	-	-	52	52
State mandated per statutes	-	163,190	-	163,190
Committed for:				
One twelfth budget reserve	63,901	-	-	63,901
Subsequent years' expenditures	-	-	4,253	4,253
Assigned	-	-	56,049	56,049
Unassigned	436,676	-	(5,124)	431,552
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	500,577	163,190	55,230	718,997
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 530,555</u>	<u>\$ 163,922</u>	<u>\$ 68,013</u>	<u>\$ 762,490</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, 2014

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

Total fund balance governmental funds (page six)	\$	718,997
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,725,621
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.		486
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.		(161)
Long-term liabilities that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(104,144)</u>
Net position of governmental activities (page four)	\$	<u><u>3,340,799</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, 2014**

	General Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Sales tax	\$ 665,289	\$ -	\$ -	\$ 665,289
Property taxes	27,208	-	-	27,208
Franchise taxes	26,467	-	-	26,467
Public service taxes	38,333	-	-	38,333
<b>Intergovernmental:</b>				
Federal	-	-	39,080	39,080
State	216,768	69,322	90,125	376,215
Charges for services	19,876	-	44,197	64,073
Licenses and permits	4,040	-	-	4,040
Fines and forfeitures	98,566	-	16,914	115,480
Interest	6	57	2	65
Miscellaneous	1,600	1,500	15,630	18,730
<b>Total revenues</b>	<b>1,098,153</b>	<b>70,879</b>	<b>205,948</b>	<b>1,374,980</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	221,128	-	2,258	223,386
Public safety	410,970	47,508	76,396	534,874
Culture and recreation	56,880	-	14,406	71,286
Health and welfare	-	-	102,937	102,937
<b>Debt service:</b>				
Principal	-	-	13,141	13,141
Interest	-	-	1,702	1,702
Capital outlay	100,210	19,580	70,205	189,995
<b>Total expenditures</b>	<b>789,188</b>	<b>67,088</b>	<b>281,045</b>	<b>1,137,321</b>
Excess (deficiency) of revenues over expenditures	308,965	3,791	(75,097)	237,659
<b>Other Financing Sources (Uses):</b>				
Transfers in	17,125	4,053	61,481	82,659
Transfers (out)	(75,025)	-	(17,125)	(92,150)
<b>Total other financing sources (uses)</b>	<b>(57,900)</b>	<b>4,053</b>	<b>44,356</b>	<b>(9,491)</b>
<b>Special Item:</b>				
Proceeds from disposal of assets	9,000	-	-	9,000
<b>Net change in fund balances</b>	<b>260,065</b>	<b>7,844</b>	<b>(30,741)</b>	<b>237,168</b>
<b>Fund balances, beginning of year</b>	<b>240,512</b>	<b>155,346</b>	<b>85,971</b>	<b>481,829</b>
<b>Fund balances, end of year</b>	<b>\$ 500,577</b>	<b>\$ 163,190</b>	<b>\$ 55,230</b>	<b>\$ 718,997</b>

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, 2014

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

Net change in fund balances - total governmental funds (page eight)	\$	237,168
Governmental funds report capital outlay as expenditures in the amount of \$189,995; 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 \$183,068. The net adjustment is \$6,927.		6,927
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The basis of the capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(2,094)
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, 2013, deferred property taxes amount to \$1,785. The deferred property taxes for the current fiscal year amounted to \$486; therefore, the net adjustment is \$(1,299).		(1,299)
The repayment of principal of long-term consumes current financial resources of the governmental funds; however, is not recorded as an expense within the statement of activities.		13,141
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.		237
An increase in the compensated absence liability from the previous year results in an 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>(2,600)</u>
Change in net position of governmental activities (page five)	\$	<u><u>251,480</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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Sales tax	\$ 345,791	\$ 345,791	\$ 661,041	\$ 4,248	\$ 665,289	\$ 315,250
Property taxes	26,006	26,006	32,124	(4,916)	27,208	6,118
Franchise taxes	21,896	21,896	26,070	397	26,467	4,174
Public service taxes	36,821	36,821	36,379	1,954	38,333	(442)
Intergovernmental:						
State	153,169	203,159	217,636	(868)	216,768	14,477
Charges for services	18,524	18,524	19,093	783	19,876	569
Licenses and permits	3,630	3,630	4,040	-	4,040	410
Fines and forfeitures	112,153	112,153	98,566	-	98,566	(13,587)
Interest	13	13	6	-	6	(7)
Miscellaneous	25,060	25,060	1,600	-	1,600	(23,460)
<b>Total revenues</b>	<b>743,063</b>	<b>793,053</b>	<b>1,096,555</b>	<b>1,598</b>	<b>1,098,153</b>	<b>303,502</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	206,441	206,241	208,541	12,587	221,128	(2,300)
Public safety	420,855	369,842	408,732	2,238	410,970	(38,890)
Culture and recreation	46,294	56,752	56,752	128	56,880	-
Capital outlay	40,735	131,480	100,210	-	100,210	31,270
<b>Total expenditures</b>	<b>714,325</b>	<b>764,315</b>	<b>774,235</b>	<b>14,953</b>	<b>789,188</b>	<b>(9,920)</b>
<b>Excess of revenues     over expenditures</b>	<b>28,738</b>	<b>28,738</b>	<b>322,320</b>	<b>(13,355)</b>	<b>308,965</b>	<b>293,582</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	17,125	-	17,125	17,125
Transfers (out)	(63,057)	(63,057)	(75,025)	-	(75,025)	(11,968)
<b>Total other financing     sources (uses)</b>	<b>(63,057)</b>	<b>(63,057)</b>	<b>(57,900)</b>	<b>-</b>	<b>(57,900)</b>	<b>5,157</b>
<b>Special Item:</b>						
Proceeds from disposal of assets	-	-	9,000	-	9,000	9,000
<b>Net change</b>	<b>(34,319)</b>	<b>(34,319)</b>	<b>273,420</b>	<b>\$ (13,355)</b>	<b>\$ 260,065</b>	<b>307,739</b>
Cash balance, beginning of year	150,042	150,042	150,042			-
Cash balance, end of year	<u>\$ 115,723</u>	<u>\$ 115,723</u>	<u>\$ 423,462</u>			<u>\$ 307,739</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 299		
Change in accounts payable				(10,348)		
Change in accrued salaries				(1,253)		
Change in accrued liabilities				(3,352)		
Change in deferred property taxes inflows				1,299		
				<u>\$ (13,355)</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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental:						
State	\$ 69,587	\$ 69,587	\$ 69,322	\$ -	\$ 69,322	\$ (265)
Interest	-	-	57	-	57	57
Miscellaneous	100	100	1,500	-	1,500	1,400
Total revenues	69,687	69,687	70,879	-	70,879	1,192
<b>Expenditures:</b>						
Current:						
Public safety	42,886	66,854	47,274	234	47,508	19,580
Capital outlay	-	-	19,580	-	19,580	(19,580)
Total expenditures	42,886	66,854	66,854	234	67,088	-
Excess of revenues over expenditures	26,801	2,833	4,025	(234)	3,791	1,192
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	4,053	-	4,053	4,053
Net change	26,801	2,833	8,078	\$ (234)	\$ 7,844	5,245
Cash balance, beginning of year	155,844	155,844	155,844			-
Cash balance, end of year	\$ 182,645	\$ 158,677	\$ 163,922			\$ 5,245
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (108)		
Change in accrued salaries				(100)		
Change in accrued payroll liabilities				(26)		
				\$ (234)		

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, 2014

Assets	<u>Joint Utility Enterprise Fund</u>
Current assets:	
Cash	\$ 34,532
Receivables, net:	
Accounts	36,773
Taxes	<u>2,257</u>
Total current assets	73,562
Capital assets:	
Land	8,320
Utility system and facilities	2,079,796
Vehicles, equipment and other assets	875,575
Less accumulated depreciation	<u>(1,338,056)</u>
Total capital assets, net	<u>1,625,635</u>
Total assets	<u><u>\$ 1,699,197</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 29,066
Accrued salaries	2,224
Accrued liabilities	2,406
Customer deposits	23,014
Current maturities of liabilities:	
Compensated absences	<u>3,528</u>
Total current liabilities	60,238
Noncurrent liabilities:	
Compensated absences	<u>3,534</u>
Total liabilities	63,772
Net Position	
Invested in capital assets	1,625,635
Unrestricted	<u>9,790</u>
Total net position	<u>1,635,425</u>
Total liabilities and net position	<u><u>\$ 1,699,197</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, 2014

	<u>Joint Utility Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 319,203
Operating Expenses:	
Personnel services	178,079
Utilities	21,130
Contractual services	131,243
Repairs and maintenance	10,474
Insurance claims and expenses	17,031
Other operating expenses	48,459
Depreciation	<u>118,448</u>
Total operating expenses	<u>524,864</u>
Operating (loss)	(205,661)
Non-operating revenues (expenses):	
Sales tax	15,567
(Loss) on disposal of assets	<u>(24,246)</u>
Total non-operating revenues (expenses)	<u>(8,679)</u>
(Loss) before transfers	(214,340)
Transfers in	<u>9,491</u>
Change in net position	(204,849)
Net position, beginning of year	<u>1,840,274</u>
Net position, end of year	<u><u>\$ 1,635,425</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, 2014**

	<u>Joint Utility Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 320,661
Cash payments to suppliers for goods and services	(219,001)
Cash payments to employees for services	<u>(177,379)</u>
Net cash (used) by operating activities	(75,719)
Cash flows from non-capital and financing activities:	
Cash received from sales tax	15,469
Net change in customer deposits	1,000
Transfers in	<u>9,491</u>
Net cash provided by non-capital and related financing activities	<u>25,960</u>
Net (decrease) in cash	(49,759)
Cash and cash equivalents, beginning of year	<u>84,291</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,532</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating (loss)	\$ (205,661)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	118,448
Bad debts	701
Changes in assets and liabilities:	
(Increase) in accounts receivable	(54)
Increase in accounts payable	8,872
Increase in accrued salaries	502
Increase in payroll taxes liability	426
Increase in compensated absences	<u>1,047</u>
Total adjustments	<u>129,942</u>
Net cash (used) by operating activities	<u><u>\$ (75,719)</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, 2014

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash	<u>\$    1,001</u>
<b>Liabilities:</b>	
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, 2014

**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, 2014.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 position 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 Position 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 report.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014

**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 solid waste management 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, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Town reports the following major business-type fund:

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

The Town maintains nine other governmental funds that are considered nonmajor funds; seven are classified as special revenue funds, and two are classified as capital projects funds. 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.

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.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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 *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 *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. The proposed budget is then submitted by June 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> with final certification of the budget by the first Monday of September.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgets (continued)

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.

**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.



**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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:

<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

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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 Inflows of Resources**

Deferred inflow of resources represents the acquisition of net position, or fund balance that is applicable to a future reporting period. Currently, the Town reports deferred inflows of resources within the fund financial statements as detailed below:

*Fund Financial Statements* - Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as deferred revenues if they are not available in the current period, which the Town has established as sixty days after year end.

**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, or business-type activities within the statement of net position. Issuance costs associated with notes entered into are expensed in the year of issuance.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**10. Long-Term Obligations (continued)**

In the governmental funds, the long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. 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 positions are categorized as follows:

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

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

*Unrestricted net position* – 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.

*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.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**12. Fund Equity (continued)**

*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.

**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.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014, 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	\$ 556,092	\$ (12,476)	\$ 543,616
Lea County State Bank	133,633	(87)	133,546
Total cash deposits	\$ 689,725	\$ (12,563)	\$ 677,162

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

Statement of Net Position:	
Cash	\$ 676,161
Statement of Fiduciary	
Assets and Liabilities:	
Cash	1,001
Total cash reported on financial statements	\$ 677,162

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

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
	<u>                    </u>	<u>                    </u>
Total deposit in bank	\$ 556,092	\$ 133,633
Less FDIC insurance	<u>(250,000)</u>	<u>(133,633)</u>
Uninsured public funds	306,092	-
Pledged collateral held by pledging bank's agent, but not in the Town's name	<u>228,127</u>	<u>-</u>
Uninsured and uncollateralized public funds	<u>\$ 77,965</u>	<u>\$ -</u>
Total pledged collateral	\$ 228,127	\$ -
50% pledged collateral requirement per state statute	<u>153,046</u>	<u>-</u>
Pledged collateral (under) over the requirement	<u>\$ 75,081</u>	<u>\$ -</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section this report. 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, 2014, \$306,092 of the Town's bank balance of \$689,725 was exposed to custodial credit risk as follows:

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

	Western Commerce Bank
Uninsured and collateral held by agent, not in Town's name	\$ 306,092
	\$ 306,092

**3. INVESTMENTS**

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

Statement of Net Position:	
Restricted investments	\$ 52
	\$ 52

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, 2014, NMFA has invested the funds in program and debt service pools. None of the cash invested can be specifically identified, since the Town's portion is co-mingled with other local governments from the state of New Mexico.

*NMFA - Program Funds*

The Town has \$49 invested within the NMFA program funds pool. At June 30, 2014, the pool was composed of 74.33% money market funds and 25.67% fixed income U.S. Treasuries.

*NMFA - Debt Service*

The Town has \$3 within the NMFA debt service pool. At June 30, 2014, the pool was composed of short-term, high quality money market instruments.

*Interest Rate Risk*

Interest rate is the risk that interest rate variations may adversely affect an investment's fair value.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**3. INVESTMENTS (continued)**

*Interest Rate Risk (continued)*

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 .032 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, 2014 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 35,358	\$ 38,346
Allowance for doubtful accounts	(27,354)	(1,573)
Accounts receivable, net	\$ 8,004	\$ 36,773
Taxes receivable:		
Sales tax	\$ 96,435	\$ 2,257
Franchise	4,168	-
Property	1,601	-
Public service	3,213	-
Allowance for doubtful accounts	-	-
Taxes receivable, net	\$ 105,417	\$ 2,257
Intergovernmental receivables:		
Senior citizens grants	\$ 6,312	\$ -
Economic development grants	339	-
Motor vehicle department	737	-
Allowance for doubtful accounts	-	-
Intergovernmental receivables, net	\$ 7,388	\$ -

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, 2014

**5. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. Tax notices are sent by the Lea County Treasurer to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> 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 2013, was \$4.225 per \$1,000 for non-residential and \$3.371 for residential property. In the year 2013, there was no tax rate established for payment of bonds principal and interest.

**6. CAPITAL ASSETS**

During the fiscal year, the Town discovered errors in the capital assets subsidiary records. The Town corrected amounts reported at June 30, 2013 within the governmental activities. The result of the changes is as follows:

	Balance 06/30/13	Restatement	Restated Balance 06/30/13
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 54,178	\$ -	\$ 54,178
Construction in progress	8,390	-	8,390
Total capital assets, not being depreciated	62,568	-	62,568
Other capital assets, being depreciated:			
Buildings and improvements	2,486,482	-	2,486,482
Infrastructure	570,329	-	570,329
Furniture, fixtures and equipment	1,873,338	8,000	1,881,338
Total capital assets, being depreciated	4,930,149	8,000	4,938,149
Accumulated depreciation:			
Buildings and improvements	(640,385)	44	(640,341)
Infrastructure	(158,878)	-	(158,878)
Furniture, fixtures and equipment	(1,487,877)	7,167	(1,480,710)
Total accumulated depreciation	(2,287,140)	7,211	(2,279,929)
Other capital assets, net	2,643,009	15,211	2,658,220
Total capital assets, net	<u>\$ 2,705,577</u>	<u>\$ 15,211</u>	<u>\$ 2,720,788</u>

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**6. CAPITAL ASSETS (continued)**

Governmental activities capital assets for the fiscal year ended June 30, 2014 are as follows:

	Restated Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 54,178	\$ -	\$ 10	\$ 54,168
Construction in progress	8,390	44,866	-	53,256
	<u>62,568</u>	<u>44,866</u>	<u>10</u>	<u>107,424</u>
Total capital assets, not being depreciated	62,568	44,866	10	107,424
Other Capital Assets Being Depreciated:				
Buildings and improvements	2,486,482	77,894	-	2,564,376
Infrastructure	570,329	-	-	570,329
Furniture, fixtures and equipment	1,881,338	67,235	5,000	1,943,573
	<u>4,938,149</u>	<u>145,129</u>	<u>5,000</u>	<u>5,078,278</u>
Total capital assets, being depreciated	4,938,149	145,129	5,000	5,078,278
Accumulated depreciation:				
Buildings and improvements	(640,341)	(77,916)	-	(718,257)
Infrastructure	(158,878)	(14,405)	-	(173,283)
Furniture, fixtures and equipment	(1,480,710)	(90,747)	(2,916)	(1,568,541)
	<u>(2,279,929)</u>	<u>(183,068)</u>	<u>(2,916)</u>	<u>(2,460,081)</u>
Total accumulated depreciation	(2,279,929)	(183,068)	(2,916)	(2,460,081)
Other capital assets, net	<u>2,658,220</u>	<u>(37,939)</u>	<u>2,084</u>	<u>2,618,197</u>
Total capital assets, net	<u>\$ 2,720,788</u>	<u>\$ 6,927</u>	<u>\$ 2,094</u>	<u>\$ 2,725,621</u>

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

General government	\$ 51,076
Public safety	104,175
Culture and recreation	22,076
Health and welfare	5,741
	<u>5,741</u>
	<u>\$ 183,068</u>

Business-type activities capital assets for the fiscal year ended June 30, 2014 are as follows:

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**6. CAPITAL ASSETS (continued)**

	<u>Balance 06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/14</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,320	\$ -	\$ -	\$ 8,320
Other capital assets, being depreciated:				
Utility system	2,079,796	-	-	2,079,796
Furniture, fixtures and equipment	<u>1,184,075</u>	<u>-</u>	<u>(308,500)</u>	<u>875,575</u>
Total other capital assets, being depreciated	3,263,871	-	(308,500)	2,955,371
Accumulated depreciation:				
Utility system	(585,575)	(45,446)	-	(631,021)
Furniture, fixtures and equipment	<u>(918,287)</u>	<u>(73,002)</u>	<u>(284,254)</u>	<u>(707,035)</u>
Total accumulated depreciation	<u>(1,503,862)</u>	<u>(118,448)</u>	<u>(284,254)</u>	<u>(1,338,056)</u>
Other capital assets, net	<u>1,760,009</u>	<u>(118,448)</u>	<u>(24,246)</u>	<u>1,617,315</u>
Total capital assets, net	<u><u>\$ 1,768,329</u></u>	<u><u>\$ (118,448)</u></u>	<u><u>\$ (24,246)</u></u>	<u><u>\$ 1,625,635</u></u>

**7. ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Payroll taxes	\$ 6,315	\$ 1,007
Retirement contributions	1,327	124
Sales tax	-	1,275
Retiree health care contribution	957	-
Health insurance	<u>832</u>	<u>-</u>
	<u><u>\$ 9,431</u></u>	<u><u>\$ 2,406</u></u>

**8. LONG-TERM OBLIGATIONS**

*Governmental Activities Long-Term Obligations*

Changes in the governmental activities obligations during the year ended June 30, 2014 as follows:

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**8. LONG-TERM OBLIGATIONS (continued)**

*Governmental Activities Long-Term Obligations (continued)*

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14	Amounts Due Within One Year
Note payable	\$ 98,166	\$ -	\$ 13,141	\$ 85,025	\$ 13,876
Compensated absences	16,519	29,506	26,906	19,119	11,550
Total	<u>\$ 114,685</u>	<u>\$ 29,506</u>	<u>\$ 40,047</u>	<u>\$ 104,144</u>	<u>\$ 25,426</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
2015	\$ 13,876	\$ 967	\$ 14,843
2016	13,953	890	14,843
2017	14,059	784	14,843
2018	14,189	654	14,843
2019	14,364	479	14,843
2020	14,584	259	14,843
	<u>\$ 85,025</u>	<u>\$ 4,033</u>	<u>\$ 89,058</u>

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.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**8. LONG-TERM OBLIGATIONS (continued)**

*Business-Type Activities Long-Term Obligations*

Changes in the business-type activities obligations during the year ended June 30, 2014 were as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14	Amounts Due Within One Year
Compensated absences	\$ 6,015	\$ 9,737	\$ (8,690)	\$ 7,062	\$ 3,528

**9. RESTATEMENT GOVERNMENTAL ACTIVITIES NET POSITION**

The Town discovered governmental activities net position of \$3,074,108 at June 30, 2013 was understated by \$15,211 due to errors in the capital assets. The restated amount is \$3,089,319.

**10. DEFICIT FUND BALANCE**

The following funds had a deficit fund balance as of June 30, 2014:

Fund	Amount
Law Enforcement Protection	\$ 284
Senior Citizens Building Renovation	4,840

The deficit balance is the direct effect of the incurring program costs of the next fiscal year prior to the funding of revenue. Intergovernmental revenues for the upcoming year will fund the deficit fund balance.

**11. EXCESS EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2014, the Town incurred expenditures over appropriations of the following amounts and funds:

Fund	Amount
General	\$ 21,888
EMS	462
Law Enforcement Protection	175
Corrections	11,761
Special Building	344
Cemetery	553

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, 2014**

**12. INTERFUND TRANSFERS**

	Transfer In				Total
	General Fund	Fire Fund	Joint Utility Fund	Other Governmental Funds	
Transfers (out):					
General Fund	\$ -	\$ 4,053	\$ 9,491	\$ 61,481	\$ 75,025
Other Governmental Funds	17,125	-	-	-	17,125
	\$ 17,125	\$ 4,053	\$ 9,491	\$ 61,481	\$ 92,150

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.

**13. BAD DEBT EXPENSE**

*Governmental Activities* - During the current fiscal year, the Town adjusted the allowance for doubtful accounts by increasing gross ambulance revenues by \$1,111. Ambulance fees are reflected as public safety charges for services revenue in the government-wide statement of activities and charges for services within the EMS fund.

*Business-Type Activities* - During the current fiscal year, the Town recorded bad debt expense by reducing charges for services revenue by \$701. Water revenues were decreased by \$296; wastewater revenues by \$89; and solid waste revenues by \$316.

**14. 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.

**15. SIMPLE IRA RETIREMENT PLAN**

The Town offers 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, 2014 was \$7,926.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**16. 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](http://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, 2014

**16. 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, 2014, the statutes 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, 2014, 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, 2014, 2013 and 2012 were \$10,695, \$10,797 and \$10,432, respectively, which equal the required contributions for each year.

**17. 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, 2014, the Town had expended \$53,256 for engineering design and administrative costs. In addition to the grant revenues, the Town must contribute \$21,200 to the project. The Town anticipates the improvements to be completed by June 30, 2015.

**18. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased insurance from a commercial vendor and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.



**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**19. 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, 2014**

	Special Revenue Funds							Capital Projects Funds				Total Other Governmental Funds
	EMS Fund	Law Enforcement Protection Fund	Local Government Corrections Fund	Recreation Fund	Senior Citizens Fund	Special Building Fund	Cemetery Fund	Total Special Revenue Funds	Park Improvement Fund	Senior Citizens Building Renovation Fund	Total Capital Projects Funds	
<b>ASSETS</b>												
Cash and cash equivalents	\$ 1,572	\$ 30	\$ 13,463	\$ 14,036	\$ 10,422	\$ 6,940	\$ 7,782	\$ 54,245	\$ -	\$ -	\$ -	\$ 54,245
Receivables, net:												
Accounts	7,404	-	-	-	-	-	7,404	-	-	-	-	7,404
Intergovernmental	-	-	-	-	6,312	-	6,312	-	-	-	-	6,312
Restricted:												
Investments	-	52	-	-	-	-	52	-	-	-	-	52
Total assets	<u>\$ 8,976</u>	<u>\$ 82</u>	<u>\$ 13,463</u>	<u>\$ 14,036</u>	<u>\$ 16,734</u>	<u>\$ 6,940</u>	<u>\$ 7,782</u>	<u>\$ 68,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,013</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable	\$ 677	\$ 314	886	\$ 1,287	\$ 583	\$ 125	\$ 30	\$ 3,902	\$ -	\$ 4,840	\$ 4,840	\$ 8,742
Accrued salaries	100	-	-	-	929	-	-	1,029	-	-	-	1,029
Accrued liabilities	562	-	-	3	741	-	6	1,312	-	-	-	1,312
Deposits held	-	-	-	1,700	-	-	-	1,700	-	-	-	1,700
Total liabilities	1,339	314	886	2,990	2,253	125	36	7,943	-	4,840	4,840	12,783
Fund Balances:												
Restricted for:												
Debt service	-	52	-	-	-	-	-	52	-	-	-	52
Committed for:												
Subsequent years' expenditures	1,063	-	3,017	-	-	-	173	4,253	-	-	-	4,253
Assigned	6,574	-	9,560	11,046	14,481	6,815	7,573	56,049	-	-	-	56,049
Unassigned	-	(284)	-	-	-	-	-	(284)	-	(4,840)	(4,840)	(5,124)
Total fund balances	<u>7,637</u>	<u>(232)</u>	<u>12,577</u>	<u>11,046</u>	<u>14,481</u>	<u>6,815</u>	<u>7,746</u>	<u>60,070</u>	<u>-</u>	<u>(4,840)</u>	<u>(4,840)</u>	<u>55,230</u>
Total liabilities and fund balances	<u>\$ 8,976</u>	<u>\$ 82</u>	<u>\$ 13,463</u>	<u>\$ 14,036</u>	<u>\$ 16,734</u>	<u>\$ 6,940</u>	<u>\$ 7,782</u>	<u>\$ 68,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,013</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, 2014**

	Special Revenue Funds							Capital Projects Funds			Total Other Governmental Funds	
	EMS Fund	Law Enforcement Protection Fund	Local Government Correcitons Fund	Recreation Fund	Senior Citizens Fund	Special Building Fund	Cemetery Fund	Total Special Revenue Funds	Park Improvement Fund	Senior Citizens Building Renovation Fund		Total Capital Projects Funds
Revenues:												
Intergovernmental:												
Federal	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ -	\$ -	\$ 4,903	\$ -	\$ 34,177	\$ 34,177	\$ 39,080
State	14,200	21,800	-	-	54,125	-	-	90,125	-	-	-	90,125
Charges for services	17,449	-	7,814	3,050	3,884	6,000	6,000	44,197	-	-	-	44,197
Fines and forfeitures	-	-	16,914	-	-	-	-	16,914	-	-	-	16,914
Interest	-	2	-	-	-	-	-	2	-	-	-	2
Miscellaneous	-	-	-	-	-	-	-	-	15,630	-	15,630	15,630
Total revenues	31,649	21,802	24,728	3,050	62,912	6,000	6,000	156,141	15,630	34,177	49,807	205,948
Expenditures:												
Current:												
General government	-	-	-	-	-	2,258	-	2,258	-	-	-	2,258
Public safety	42,004	13,846	20,546	-	-	-	-	76,396	-	-	-	76,396
Culture and recreation	-	-	-	14,406	-	-	-	14,406	-	-	-	14,406
Health and welfare	-	-	-	-	99,490	-	3,447	102,937	-	-	-	102,937
Debt service:												
Principal	-	13,141	-	-	-	-	-	13,141	-	-	-	13,141
Interest	-	1,702	-	-	-	-	-	1,702	-	-	-	1,702
Capital outlay	-	-	-	-	-	9,709	-	9,709	15,630	44,866	60,496	70,205
Total expenditures	42,004	28,689	20,546	14,406	99,490	11,967	3,447	220,549	15,630	44,866	60,496	281,045
Excess (deficiency) of revenues over expenditures	(10,355)	(6,887)	4,182	(11,356)	(36,578)	(5,967)	2,553	(64,408)	-	(10,689)	(10,689)	(75,097)
Other Financing Sources (Uses):												
Transfers in	-	-	-	14,643	40,989	-	-	55,632	-	5,849	5,849	61,481
Transfers (out)	(612)	-	(15,460)	-	-	(500)	(553)	(17,125)	-	-	-	(17,125)
Total other financing sources and (uses)	(612)	-	(15,460)	14,643	40,989	(500)	(553)	38,507	-	5,849	5,849	44,356
Net change in fund balances	(10,967)	(6,887)	(11,278)	3,287	4,411	(6,467)	2,000	(25,901)	-	(4,840)	(4,840)	(30,741)
Fund balances, beginning of year	18,604	6,655	23,855	7,759	10,070	13,282	5,746	85,971	-	-	-	85,971
Fund balances, end of year	\$ 7,637	\$ (232)	\$ 12,577	\$ 11,046	\$ 14,481	\$ 6,815	\$ 7,746	\$ 60,070	\$ -	\$ (4,840)	\$ (4,840)	\$ 55,230

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 7,000	\$ 7,000	\$ 15,836	\$ (1,636)	\$ 14,200	\$ 8,836
Charges for services	20,160	20,160	14,702	2,747	17,449	(5,458)
Total revenues	<u>27,160</u>	<u>27,160</u>	<u>30,538</u>	<u>1,111</u>	<u>31,649</u>	<u>3,378</u>
Expenditures:						
Current:						
Public safety	30,272	43,586	43,436	(1,432)	42,004	150
(Deficiency) of revenues over expenditures	(3,112)	(16,426)	(12,898)	2,543	(10,355)	3,528
Other Financing Sources (Uses)						
Transfers (out)	-	-	(612)	-	(612)	(612)
Net change	<u>(3,112)</u>	<u>27,160</u>	<u>(13,510)</u>	<u>\$ 2,543</u>	<u>\$ (10,967)</u>	<u>2,916</u>
Cash balance, beginning of year	<u>15,082</u>	<u>15,082</u>	<u>15,082</u>			<u>-</u>
Cash balance, end of year	<u>\$ 11,970</u>	<u>\$ 42,242</u>	<u>\$ 1,572</u>			<u>\$ 2,916</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 1,111		
Change in accounts payable				2,092		
Change in accrued payroll liabilities				(560)		
Change in accrued salaries				(100)		
				<u>\$ 2,543</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, 2014**

	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	\$ 6,957	\$ 6,957	\$ 6,956	\$ 14,844	\$ 21,800	\$ (1)
Interest	-	-	-	2	2	-
Total revenues	6,957	6,957	6,956	14,846	21,802	(1)
Expenditures:						
Current:						
Public safety	5,926	13,357	13,532	314	13,846	(175)
Debt Service:						
Principal	-	-	-	13,141	13,141	-
Interest	-	-	-	1,702	1,702	-
Total expenditures	5,926	13,357	13,532	15,157	28,689	(175)
Net change	1,031	(6,400)	(6,576)	<u>\$ (311)</u>	<u>\$ (6,887)</u>	(176)
Cash balance, beginning of year	6,606	6,606	6,606			-
Cash balance, end of year	<u>\$ 7,637</u>	<u>\$ 206</u>	<u>\$ 30</u>			<u>\$ (176)</u>

**Explanation of Differences:**

Interest earned on program funds	2
Grant revenue intercepted for debt service	14,844
Change in accounts payable	(314)
Principal paid with intercepted funds	(13,141)
Interest expense paid with intercepted funds	(1,702)
	<u>(311)</u>

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



**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
LOCAL GOVERNMENT 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, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis
	Original	Final				Variance With Final Budget Over (Under)
<b>Revenues:</b>						
Charges for services	\$ 1,200	\$ 1,200	\$ 7,814	\$ -	\$ 7,814	\$ 6,614
Fines and forfeitures	18,888	18,888	16,914	-	16,914	(1,974)
Total revenues	20,088	20,088	24,728	-	24,728	4,640
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	24,992	24,992	21,293	(747)	20,546	3,699
Excess (deficiency) of revenues over expenditures	(4,904)	(4,904)	3,435	747	4,182	8,339
<b>Other Financing Sources (Uses):</b>						
Transfers (out)	-	-	(15,460)	-	(15,460)	(15,460)
Net change	(4,904)	(4,904)	(12,025)	\$ 747	\$ (11,278)	(7,121)
Cash balance, beginning of year	25,488	25,488	25,488			-
Cash balance, end of year	\$ 20,584	\$ 20,584	\$ 13,463			\$ (7,121)
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ 747		

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, 2014**

	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	\$ 944	\$ 944	\$ 2,850	\$ 200	\$ 3,050	\$ 1,906
Expenditures:						
Current:						
Culture and recreation	8,640	13,761	13,761	645	14,406	-
(Deficiency) of revenues over expenditures	(7,696)	(12,817)	(10,911)	(445)	(11,356)	1,906
Other Financing Sources (Uses):						
Transfers in	5,000	5,000	14,643	-	14,643	9,643
Net change	(2,696)	(7,817)	3,732	\$ (445)	\$ 3,287	11,549
Cash balance, beginning of year	10,304	10,304	10,304			-
Cash balance, end of year	\$ 7,608	\$ 2,487	\$ 14,036			\$ 11,549
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (642)		
Change in accrued payroll liabilities				(3)		
Change in deposits payable				200		
				\$ (445)		

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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Budget	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
<b>Intergovernmental:</b>						
Federal	\$ 4,903	\$ 4,903	\$ 4,903	\$ -	\$ 4,903	\$ -
State	52,512	52,512	50,758	3,367	54,125	(1,754)
Charges for services	-	-	3,884	-	3,884	3,884
Miscellaneous	8,055	8,055	-	-	-	(8,055)
Total revenues	65,470	65,470	59,545	3,367	62,912	(5,925)
<b>Expenditures:</b>						
<b>Current:</b>						
Health and welfare	102,021	102,021	98,893	597	99,490	3,128
(Deficiency) of revenues over expenditures	(36,551)	(36,551)	(39,348)	2,770	(36,578)	(2,797)
<b>Other Financing Sources (Uses):</b>						
Transfers in	36,551	36,551	40,989	-	40,989	4,438
Net change	-	-	1,641	\$ 2,770	\$ 4,411	1,641
Cash balance, beginning of year	8,781	8,781	8,781			-
Cash balance, end of year	\$ 8,781	\$ 8,781	\$ 10,422			\$ 1,641
<b>Explanation of Differences:</b>						
Change in accounts receivable				\$ 3,367		
Change in accounts payable				249		
Change in accrued salaries				(322)		
Change in accrued payroll liabilities				(524)		
				\$ 2,770		

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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 6,000	\$ 6,000	\$ 6,000	\$ -	\$ 6,000	\$ -
Expenditures:						
Current:						
General government	3,879	3,879	3,723	(1,465)	2,258	156
Capital outlay	-	9,709	9,709	-	9,709	-
Total expenditures	<u>3,879</u>	<u>13,588</u>	<u>13,432</u>	<u>(1,465)</u>	<u>11,967</u>	<u>156</u>
Excess (deficiency) of revenues over expenditures expenditures	2,121	(7,588)	(7,432)	1,465	(5,967)	156
Other Financing Sources (Uses):						
Transfers (out)	<u>-</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(500)</u>	<u>(500)</u>
Net change	2,121	(7,588)	(7,932)	<u>\$ 1,465</u>	<u>\$ (6,467)</u>	(344)
Cash balance, beginning of year	<u>14,872</u>	<u>14,872</u>	<u>14,872</u>			<u>-</u>
Cash balance, end of year	<u>\$ 16,993</u>	<u>\$ 7,284</u>	<u>\$ 6,940</u>			<u>\$ (344)</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				<u>\$ (1,465)</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, 2014**

	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	\$ 7,518	\$ 7,518	\$ 6,000	\$ -	\$ 6,000	\$ (1,518)
Expenditures:						
Health and welfare	3,297	3,431	3,431	16	3,447	-
Excess of revenues over expenditures	4,221	4,087	2,569	(16)	2,553	(1,518)
Other Financing Sources (Uses):						
Transfers (out)	-	-	(553)	-	(553)	(553)
Net change	4,221	4,087	2,016	\$ 16	\$ 2,000	(2,071)
Cash balance, beginning of year	5,766	5,766	5,766			-
Cash balance, end of year	\$ 9,987	\$ 9,853	\$ 7,782			\$ (2,071)
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (10)		
Change in accrued payroll liabilities				(6)		
				\$ (16)		

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**  
**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, 2014**

	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:						
Miscellaneous	\$ -	\$ 46,333	\$ 46,333	\$ (30,703)	\$ 15,630	\$ -
Expenditures:						
Capital outlay	-	46,333	46,333	(30,703)	15,630	-
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
<b>Explanation of Differences:</b>						
Change in intergovernmental receivable				\$ (30,703)		
Change in accounts payable				30,703		
				<u>\$ -</u>		

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, 2014**

	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	\$ 426,831	\$ 426,831	\$ 34,177	\$ -	\$ 34,177	\$ (392,654)
Expenditures:						
Capital outlay	448,337	448,337	40,026	4,840	44,866	408,311
(Deficiency) of revenues over expenditures	(21,506)	(21,506)	(5,849)	(4,840)	(10,689)	15,657
Other Financing Sources (Uses):						
Transfers in	21,506	21,506	5,849	-	5,849	(15,657)
Net change	-	-	-	\$ (4,840)	\$ (4,840)	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (4,840)		

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, 2014**

	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	\$ 404,333	\$ 404,333	\$ 320,661	\$ (1,458)	\$ 319,203	\$ (83,672)
Operating Expenses:						
Personnel services	119,533	119,533	177,379	700	178,079	(57,846)
Utilities	20,590	20,590	20,620	510	21,130	(30)
Contractual services	133,911	133,911	120,374	10,869	131,243	13,537
Repairs and maintenance	539	12,239	12,770	(2,296)	10,474	(531)
Insurance claims and expenses	64,772	64,772	17,031	-	17,031	47,741
Other operating expenses	75,701	75,701	48,206	253	48,459	27,495
Depreciation expense	-	-	-	118,448	118,448	-
Total operating expenses	415,046	426,746	396,380	128,484	524,864	30,366
Operating (loss)	(10,713)	(22,413)	(75,719)	(129,942)	(205,661)	(53,306)
Non-Operating Revenues (Expenses):						
Sales tax	9,000	9,000	15,469	98	15,567	6,469
Miscellaneous revenues	18,355	18,355	-	-	-	(18,355)
Increase in customer deposits	-	-	1,000	(1,000)	-	1,000
(Loss) on disposal of assets	-	-	-	(24,246)	(24,246)	-
Total non-operating revenues (expenses)	27,355	27,355	16,469	(25,148)	(8,679)	(10,886)
Transfers:						
Transfers in	-	-	9,491	-	9,491	9,491
Net change	16,642	4,942	(49,759)	\$ (155,090)	\$ (204,849)	(54,701)
Cash balance, beginning of year	84,291	84,291	84,291			-
Cash balance, end of year	\$ 100,933	\$ 89,233	\$ 34,532			\$ (54,701)

**Explanation of Differences:**

Change in accounts receivable	\$ 54
Change in taxes receivable	98
Change in accounts payable	(8,872)
Change in accrued salaries	(502)
Change in accrued payroll taxes	(426)
Change in customer deposits payable	(1,000)
Change in compensated absences	(1,047)
Depreciation expense	(118,448)
Disposal of asset	(24,246)
Bad debts	(701)
	<u>\$ (155,090)</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, 2014**

	Balance 06/30/13	Increases/ Receipts	Decreases/ Disbursements	Balance 06/30/14
Municipal Court				
Assets:				
Cash	\$ 1,001	\$ -	\$ -	\$ 1,001
Liabilities:				
Deposits held for others	\$ 1,001	\$ -	\$ -	\$ 1,001

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2014**

<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	\$ 416,971	\$ (786)	\$ 416,185
Fire	Checking	448	(285)	163
Corrections	Checking	13,205	258	13,463
EMS	Checking	7,353	(5,786)	1,567
EMS	Checking	1,455	(1,450)	5
Law Enforcement	Checking	30	-	30
Recreation	Checking	11,471	-	11,471
Recreation	Checking	665	200	865
Recreation	Checking	1,700	-	1,700
Senior Citizens	Checking	3,417	-	3,417
Senior Citizens	Checking	7,039	(44)	6,995
Senior Citizens	Checking	10	-	10
Special Building	Checking	6,940	-	6,940
Cemetery	Checking	7,782	-	7,782
Joint Utility	Checking	15,409	(1,729)	13,680
Joint Utility	Checking	21,230	(378)	20,852
Agency	Checking	3,477	(2,476)	1,001
General	CD	7,277	-	7,277
Fire	CD	30,213	-	30,213
		<u>\$ 556,092</u>	<u>\$ (12,476)</u>	<u>\$ 543,616</u>
Lea County State Bank P.O. Box 400 Hobbs, New Mexico 88241				
Fire	Money Market	<u>\$ 133,633</u>	<u>\$ (87)</u>	<u>\$ 133,546</u>

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
 SCHEDULE OF PLEDGED COLLATERAL  
 JUNE 30, 2014

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	\$ 5,389
GNMA #8004B	36202J3M8	07/20/22	8,609
GNMA #80391	36225CNH5	04/20/30	13,654
FHLMC #IG0083	3138NCCU6	03/01/35	33,045
FNMA #770744	31404KHV7	04/01/34	<u>167,430</u>
			<u>\$ 228,127</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, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
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, 2014, 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 November 11, 2014.

**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 2011-002, 2011-004, 2011-005, and 2011-009 to be material weaknesses.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, 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 to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and responses as items 2011-005, 2012-001, 2012-007, 2014-001, 2014-002, 2014-003, and 2014-004.

## **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.

A handwritten signature in cursive script that reads "Fierro + Fierro, P.A.".

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

November 11, 2014

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS**

*Item 2011-002 – Material Weakness – Accounting System*

**Statement of Condition** – For the fiscal year ended June 30, 2014, 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 is designed for small commercial businesses, and has been utilized by the Town for many years. In response to this audit finding, first reported in the audit report for the fiscal year ended June 30, 2011, the Town purchased a fund accounting software package and is currently recording financial data in both the newly purchased fund accounting software, and the original software. However, the older commercial software is considered the source of accounting data for the current fiscal year. The Town is preparing duplicate accounting information until the fund accounting package is fully integrated and operating efficiently.

**Criteria** – Section 6-6-3(A) NMSA 1978 requires every local public body “*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. The general ledger must be able to substantiate detail as to the financial activity of the Town.

Auditing Standards AU-C 265.A37 issued by the American Institute of Certified Public Accountants provides examples of deficiencies in the design of internal controls. One such item is “*Inadequate design of control over a significant account or process.*” The software program currently utilized is inadequate for proper fund accounting required for governmental entities.

**Effect** – The present general ledger accounting software 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.

Furthermore, due to lack of accounting experience by the staff regarding fund accounting and their normal daily duties, the Town has been unable to implement the newly purchased fund accounting program.

**Recommendation** – We recommend more emphasis be placed on implementing the fund accounting software as soon as possible.

**Views of Responsible Officials and Planned Corrective Actions** – We started our parallel run March 2014 and are currently entering transactions in Tyler Fund Balance for November 2014, immediately after the transactions are entered in QuickBooks. We have reconciled the two systems: March through June 2014.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2011-002 – Material Weakness – Accounting System (continued)*

**Views of Responsible Officials and Planned Corrective Actions (continued)** – The plan is for a busy December 2014 to complete the reconciliation of July through November and run parallel in December with go live January 2015. Our long lead item is ACH payroll transactions with our bank. This effort will get us to a system that is conducive to fund accounting.

*Item 2011-004 – 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 AU-C 265.A37 issued by the American Institute of Certified Public Accountants provides examples of deficiencies in the design of internal controls. Two examples that apply are, (1) *“Inadequate design of controls over the preparation of the financial statements being audited”* and (2) *“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements with general accepted auditing principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP in recording the entity’s financial transactions or preparing its financial statements.”*

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 flows and notes.

Ineffective oversight of the Town’s financial reporting and internal control by those charged with governance is an indication of a material weakness in internal control.

**Effect** – Since the Town’s 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; however, they have not completed the correspondence courses.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2011-004 – 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.

**Views of Responsible Officials and Planned Corrective Actions** – Once the Tyler Fund Balance accounting software is live, we can concentrate more time to understand the partial and full accrual accounting required by GAAP. Our clerk/treasurer for the past three years has taken a new position with the town of Tatum, and we have hired a person with an accounting degree to fill this position. He and the staff will seek out governmental accounting classes to understand the financial statements prepared by the auditor. Our long-term objective/goal would be to prepare the financial statements for cash and accrual, and allow the auditor to attest and adjust our internal statements for the audit.

*Item 2011-005 – Material Weakness – Legal Compliance with Adopted Budget*

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

Fund	Authorized Budget	Actual Amounts Expended	Excess of Approved Budget
General	\$ 827,372	\$ 849,260	\$ 21,888
EMS Fund	43,586	44,048	462
Law Enforcement Protection	13,357	13,532	175
Correction	24,992	36,753	11,761
Special Building	13,588	13,932	344
Cemetery	3,431	3,984	553

Additionally, the EMS fund budgeted an anticipated a deficit cash balance of \$1,344, as budgeted revenues of \$27,160, and beginning cash of \$15,082 were not sufficient to fund the budgeted expenditures of \$43,586.

**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. Additionally, the Town is not allowed to budget a deficit cash balance within any fund. Town officials and governing authorities have the legal 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 municipality 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 sufficient 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, 2014

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2011-005 – 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** – First, it is our intent to have the department directors use purchase requisitions in advance of spending and use of the Tyler Fund Balance accounting system to project our position on expenditures compared to budget at any point in time instead of quarterly reports. Secondly, we realize that accrual accounting is causing our end of the year budget adjustments request (BAR's) to be short. In the future, we will include an amount for accruals in our budget and any required BAR's. Third, we will include in our BAR's on revenues and expenditures to calculate the revised ending balances to assure affected funds have positive ending balances.

*Item 2011-009 – Material Weakness – Documented Accounting Procedures*

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

**Criteria** – Section 6-6-3(A) NMSA 1978 requires that every local public body shall “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This would require the Town to design and maintain internal controls which would enable it to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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

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

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2011-009 – Material Weakness – Documented Accounting Procedures (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – We will complete our accounting procedures and get them approved by the Mayor and Council, as soon as possible. This item has been placed on the clerk-treasurer checklist to assure it is completed.

*Item 2012-001 – Other – Cash Disbursements*

**Statement of Condition** – We selected twenty-five transactions for testing disbursement internal controls and documentation. The total amount of expenditures for the testing amounted to \$47,634. We discovered the following deviations during our testing:

- Two purchase requisitions lacked an approval signature. The amount of the purchases totaled \$1,810.
- One instances where the purchase order was created after the vendor's invoice was received by the Town. The purchase totaled \$610.

**Criteria** – Section 6-6-3(A) NMSA 1978 requires every local public body “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This would require the Town to design accounting records such as properly completed purchase orders, requisitions and vouchers that would enable the accounting staff to record and process accounting data consistent with New Mexico state statutes.

**Effect** – When the Town fails to 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 all of the required documentation to support expenditures were in place prior to final disbursement of funds. The purchase order and requisition completed after the purchase has been made defeats the purpose of the purchase order and requisition. Such documents should be completed prior to the purchase.

**Recommendation** – We recommend the Town review its policies and procedures concerning cash disbursements, including all department heads. 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 agree with the first item under this finding that the purchase order was not approved by the clerk/purchasing agent. We concur that the purchase requisitions and purchase orders need to be approved prior to the vendor invoice being received. We will sincerely strive to get the department directors to use requisitions to get the purchase approved before receiving the goods or service.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2012-007 – 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 transactions that totaled \$4,074, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was one instance where the travel request form did not reflect written approval by the employee's authorized supervisor. The travel request totaled \$344.
- There was one instance which required mileage reimbursement that was calculated incorrectly. The employee was overpaid by \$9.
- There were two instances where miscalculations of travel days caused overpayments of \$116.
- There were two instances where the travel request form was not complete. The travel requests totaled \$878.
- There was one instance where the travel request form was not signed and approved by the Town Clerk. The travel request totaled \$344.
- There was one instance where no documentation for purpose of trip was attached to the travel request form. The travel request totaled \$535.
- There were two instances where an actual meal receipt was not submitted by employee. The total amount of meal receipts was \$85.
- There was one instance where meal receipt exceeded limit allowed by Travel & Per Diem Act. The employee was overpaid by \$1.

**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 2.42.2.9(3) of the Travel and Per Diem regulations states, "*The public officer of employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.*"

Section 2.42.2.9(B) of the Travel and Per Diem regulations states, "*Actual expenses for meals are limited to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.*"

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2012-007 – 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 staff did not have a complete understanding of the Travel and Per Diem Act. Travel requests were not reviewed properly prior to payment.

**Recommendation** – We recommend the administrative staff review the Travel and Per Diem Act. We recommend the Town staff re-evaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

**Views of Responsible Officials and Planned Corrective Actions** – The town clerk, deputy clerk, DMV assistant clerk, and the mayor agree with the recommendation and will review the Per Diem and Mileage Act Section 10-8-1 to 10-8-8 NMSA 1978, and do a better review of the reports submitted before reimbursing the employee for expenses incurred while traveling at the town of Tatum's request. This will increase our understanding of proper procedures, and will correct any calculation errors before they occur. We verified the calculations and got missing certificates from the police chief to complete our support of the expenses incurred for his training. We will also send an email to the department heads informing them that tips are not part of the meal, and make sure that the detail receipt should be included instead of the credit card receipt.

*Item 2014-001 – Other – Stale Checks and Outstanding Deposits*

**Statement of Condition** – During our audit tests of cash balances reflected on the Town's ledgers, we discovered the Town had outstanding checks that were older than one year from the date of issuance. There are twenty six checks totaling \$3,618. These stale checks have not been managed under the New Mexico escheat laws. Additionally, we noted the bank reconciliations reflected six outstanding deposits totaling \$1,409.

**Criteria** – Chapter 7 Article 8A NMSA 1978 referred to as the, “*The Uniform Unclaimed Property Act*” sets forth the processes and requirements of a holder of property (Town) to report to the administrator annually by November 1<sup>st</sup> for the prior period ending July 1<sup>st</sup> of that year. It also specifies the notification requirements to the property owner. The Town's cash policy states all checks outstanding for greater than one year, from the date of issuance, shall be null and void. This information is also stated on each check issued by the Town.

**Effect** – The Town is in non-compliance with New Mexico State Statutes and their policy and procedures. The Town failed to void stale checks and return the money to the owner of the funds or the state of New Mexico. Non-compliance with New Mexico State Statutes subjects the governing board and management to penalties and punishment defined by state statute. Additionally, the Town had the obligation to research the amounts reflected as outstanding deposits within the reconciliation and determine if they are valid. If they are valid an attempt to collect the funds should be made. If they are accounting errors, the records of the Town should be corrected.



**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2014-001 – Other – Stale Checks and Outstanding Deposits (continued)*

**Cause** – Poor accounting procedures has contributed to the errors. Perhaps checks were issued in duplicate with the invalid check not removed from the books. No attempt has been made by Town staff to locate the owner of valid checks and no attempt has been made to resolve the outstanding deposits issue.

**Recommendation** – We recommend Town staff investigate all outstanding checks and deposits to determine if they are valid. If valid, the outstanding deposits should be collected and the owners of the checks should be located. If the owners can't be located, the money should be forwarded to the state as required by the Unclaimed Property Act.

**Views of Responsible Officials and Planned Corrective Actions** - We are researching and confirming all stale checks over a year old, and taking the appropriate action on each of the stale checks to reissue or develop a list to escheat to the appropriate state, depending on the last known address, of the payee.

*Item 2014-002 – Other – Timely Deposit of Cash Receipts*

**Statement of Condition** – During our testing of the Town's cash receipts transactions, we discovered instances where the Town did not deposit the receipts within twenty-four hours after collection. Our audit sample was twelve transactions that totaled \$7,618 which were selected throughout the fiscal year. We noted five instances where the Town does not timely deposit money received. Of the five deviations, two were from utility payments that totaled \$1,653, while the remaining three miscellaneous payments totaled \$1,790.

**Criteria** – Section 6.20.2.14C of the New Mexico Administrative Code states, "*Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.*"

**Effect** – By the Town not depositing money within twenty-four hour of receipts, the money could be lost, stolen or misappropriated.

**Cause** – The Town failed to deposit any monies received within twenty-four hour period.

**Recommendation** – We recommend the Town implement the necessary changes to their accounting procedures to ensure all money received and receipted shall be deposited in there appropriate checking accounts within twenty-four hours.

**Views of Responsible Officials and Planned Corrective Actions** - We accept the finding and will assure that we begin making all deposits within twenty-four hours of the receipt of cash or checks for utility payments and miscellaneous reports.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2014-003 – Other – Retiree Health Care Contributions*

**Statement of Condition** – The Town is a member of the retiree health care system provided by the state of New Mexico. As part of our audit procedures, we tested the amounts remitted to the Retiree Health Care Authority (Authority) in order to ascertain compliance with the required contribution requirements. We selected two months of the fiscal year, and discovered the Town remitted the incorrect amount for both months.

For the month of September 2013, contributions were under reported by \$2,700; and for the month of February 2014, contributions were under reported by \$1,593. Based on our testing, we suspect the other months in the fiscal year also contain discrepancies, thereby, indicating the Town failed to report one-hundred percent of the required contributions.

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

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

**Cause** – Within the payroll program, the accounting staff entered Retiree Health Care rate at \$1 instead of 1% for newly hired employees. Individual employed prior to the beginning of the fiscal year were established at the correct rates within the accounting software. When the Authority's monthly reports are prepared, the Town's staff used the report generated by the payroll system to submit contributions and did not verified the correctness of the amounts on the report.

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

**Views of Responsible Officials and Planned Corrective Actions** – We will verify the retiree health care for the year ended June 30, 2014 by employee determining which employees are subject to the Act, and see if corrective action can be made to RHC. We then will review the RHC contributions monthly, verifying that they are correct and making any necessary corrections timely.

*Item 2014-004 – Other – Lab Fines and Fees Collected and Transmittal of Fees*

**Statement of Condition** – During our testing of the Town's lab fines and fees collected and transmittal of fees, we discovered the Town did not file report and did not remit the fees collected for month of February 2014. The Town failed to transmit the fees collected to the municipal court automation fund to the state Administrative Office of the Courts and the fees collected for the judicial education fund to the NM Judicial Education Center.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I - FINANCIAL STATEMENTS FINDINGS (continued)**

*Item 2014-004 – Other – Lab Fines and Fees Collected and Transmittal of Fees (continued)*

**Criteria** – Sections 31.12.7 and 31.12.8 NMSA 1978 requires individuals convicted of operating a vehicle under the influence of intoxicating liquor or drugs or distribution or possession of a controlled substance shall be assessed a fine or fee for such violations of state statutes. Section 31.12.9 NMSA 1978 states all fees collected shall be transmitted monthly to the administrative office of the courts for deposit the crime laboratory fund.

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

**Cause** – The Town does not have proper administrative procedures established to ensure to submission of the proper funds and reports to the state Administrative Office of the Courts.

**Recommendation** – We recommend the Town implement the necessary changes to their accounting procedures to ensure all monies collected is transmitted appropriately on a monthly basis.

**Views of Responsible Officials and Planned Corrective Actions** – We agree that the February 2014 fines to the State Administrative Office of the Courts and the Judicial Education fund was not reported and paid timely. We will put an item in Outlook on the clerk's desk top computer to assure that we transmit the report of fees, receive their invoice, and pay it timely from the court clerk.

**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**

*Item 2011-02 – Accounting System* – The audit finding noted the Town's accounting software is not sufficient to maintain fund accounting data in order to provide governmental financial reports. During the current year, the Town continued utilizing the software; however, the Town purchased a fund accounting software package and are attempting to utilize the fund accounting software. As of the end of the fiscal year, the fund accounting software is not operational thus the finding is not considered resolved and is repeated as Item 2011-002.

*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 to ability to comprehend the financial statements prepared. The finding has not been corrected. The audit finding has been modified and repeated as Item 2011-004 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 2011-005 Legal Compliance with Authorized Budget.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**STATUS OF PRIOR YEAR'S AUDIT FINDINGS (continued)**

Item 2011-06 – Submission of Audit Report – The finding noted the audit report for the fiscal year ended June 30, 2013, was not submitted timely to the office of the New Mexico State Auditor. The current year's audit report was submitted by the required date; therefore, the finding has been resolved.

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 2011-009 Documented Accounting Procedures.

Item 2012-01 – Cash Disbursements – The audit finding noted there were deviations within established internal control cash disbursements testing procedures. Similar deviations were noted during the current fiscal year and the finding is not considered resolved and is repeated as Item 2012-001.

Item 2012-06 – Anti-Donation Clause – The audit finding noted the Town paid for a funeral flower bouquet for a member of the community which violated the anti-donation clause of the New Mexico Constitution. No transactions that violated the anti-donation clause were noted during the current fiscal year. The prior year's finding is considered resolved.

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 2012-007.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
EXIT CONFERENCE AND  
PREPARATION OF FINANCIAL STATEMENTS  
JUNE 30, 2014

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2014, was discussed during the exit conference held on November 26, 2014. Present for the Town was Marilyn Burns, mayor; Craig Dallas, 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, 2014. 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.