

STATE OF NEW MEXICO
TOWN OF TATUM

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2015
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

Year Ended June 30, 2015

INTRODUCTORY SECTION

- Title Page
- iii Table of Contents
- 1 Official Roster

FINANCIAL SECTION

- 5 Independent Auditors' Report

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

- 8 Statement of Net Position
- 9 Statement of Activities

Fund Financial Statements:

- 10 Balance Sheet – Governmental Funds
- 13 Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Position
- 14 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
- 17 Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities

Major Funds:

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):

- 18 General Fund
- 19 Fire Fund
- 20 Senior Center Fund

Proprietary (Enterprise) Funds:

- 21 Statement of Net Position
- 22 Statement of Revenues, Expenses, and Change in Fund Net Position
- 23 Statement of Cash Flows

24 **Statement of Fiduciary Assets and Liabilities**

Notes to the Financial Statements

- 25 Contents
- 26 Note I Summary of Significant Accounting Policies
- 34 Note II Stewardship, Compliance, and Accountability
- 35 Note III Detailed Notes On All Funds
- 39 Note IV Other Information

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:

Major Proprietary Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

- 45 Joint Utility Enterprise

Nonmajor Governmental Funds:

- 50 Combining Balance Sheet
- 52 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Non-major Special Revenue Funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):

- 56 Corrections
- 57 Emergency Medical Services
- 58 Law Protection
- 59 Recreation
- 60 Cemetery
- 61 Special Building

TABLE OF CONTENTS

Year Ended June 30, 2015

OTHER SUPPLEMENTAL INFORMATION:

Fiduciary Funds:

- 64 Schedule of Changes in Assets and Liabilities – All Agency Funds
- 65 Schedule of Pledged Collateral
- 67 Schedule of Vendor Information

COMPLIANCE SECTION

- 71 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
- 73 Schedule of Findings and Questioned Costs
- 80 Summary Schedule of Prior Year Audit Findings
- 81 Required Disclosure

STATE OF NEW MEXICO
TOWN OF TATUM

OFFICIAL ROSTER
June 30, 2015

ELECTED OFFICIALS

Marilyn Burns	Mayor
Agustin Dorado	Mayor Pro-Tem
Norma Atkison	Councilor
Leisha Joiner	Councilor
Jacob Jiron	Councilor

ADMINISTRATIVE OFFICIALS

Craig Dallas, MBA	Clerk-Treasurer
Mandy Day	Deputy Clerk
Lisa Joiner	Assistant Clerk-MVD

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2015

JULY 1, 2014 THROUGH JUNE 30, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

Tim Keller, State Auditor
Members of the Town of Tatum Councilors

Report on the 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 funds of Town of Tatum, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise Town of Tatum's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Town of Tatum's nonmajor governmental and the budgetary comparisons for the major business-type activity funds 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, 2015, 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 misstatement, 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 Town of Tatum'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 Town of Tatum, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds 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 of Town of Tatum as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the major business-type activity funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Tim Keller, State Auditor
Members of the Town of Tatum Councilors

Emphasis of Matter

As discussed in Note I.A and Note IV.F, during the year ended June 30, 2015 Town of Tatum adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

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 require 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 Town of Tatum's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2015 on our consideration of Town of Tatum'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 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 Town of Tatum's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 14, 2015

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 659,466	\$ 37,069	\$ 696,535
Receivables:			
Delinquent property taxes receivable	1,878	-	1,878
Other receivables	9,436	36,498	45,934
Intergovernmental	70,168	1,337	71,505
Due from other governments	875	-	875
Due from other funds	-	3,812	3,812
Non-current:			
Restricted cash	1,450	-	1,450
Non-depreciable assets	141,223	8,320	149,543
Depreciable capital assets, net	1,811,828	1,593,945	3,405,773
Total Assets	2,696,324	1,680,981	4,377,305
Liabilities			
Accounts payable	14,667	27,022	41,689
Accrued salaries	9,130	1,931	11,061
Accrued interest	167	-	167
Due to other funds	3,812	-	3,812
Deposits held for others	1,700	-	1,700
Compensated absences	23,084	7,179	30,263
Customer deposits	-	24,019	24,019
Long-term liabilities other than pensions:			
Due within one year	13,953	-	13,953
Due in more than one year	57,196	-	57,196
Total Liabilities	123,709	60,151	183,860
Net Position			
Net investment in capital assets	1,883,255	1,602,265	3,485,520
Restricted for:			
Special revenue funds	259,547	-	259,547
Unrestricted	429,813	18,565	448,378
Total Net Position	\$ 2,572,615	\$ 1,620,830	\$ 4,193,445

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 341,607	\$ 150,623	\$ 67,207	\$ -	\$ (123,777)		\$ (123,777)
Public safety	677,165	21,191	133,223	-	(522,751)		(522,751)
Culture and recreation	128,724	5,077	25,325	-	(98,322)		(98,322)
Health	149,321	-	29,377	-	(119,944)		(119,944)
Bond interest paid	<u>973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(973)</u>		<u>(973)</u>
Total governmental activities	\$ 1,297,790	\$ 176,891	\$ 255,132	\$ -	(865,767)		(865,767)
Business-type activities:							
Joint Utility Enterprise	<u>\$ 555,907</u>	<u>\$ 376,203</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(179,704)</u>	<u>(179,704)</u>
General revenues:							
Taxes:							
Property Taxes:							
					30,162	-	30,162
					504,225	14,053	518,278
					48,382	-	48,382
					75,137	11,500	86,637
					(46,112)	46,112	-
					49,066	-	49,066
					<u>660,860</u>	<u>71,665</u>	<u>732,525</u>
					<u>(204,907)</u>	<u>(108,039)</u>	<u>(312,946)</u>
					3,340,809	1,635,425	4,976,234
					(563,287)	93,444	(469,843)
					<u>2,777,522</u>	<u>1,728,869</u>	<u>4,506,391</u>
					<u>\$ 2,572,615</u>	<u>\$ 1,620,830</u>	<u>\$ 4,193,445</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2015

	General <u>Fund</u>	Fire <u>Fund #209</u>	Senior Center <u>Fund #219</u>
Assets			
Cash and cash equivalents	\$ 417,775	\$ 179,440	\$ 15,614
Receivables:			
Property taxes	1,878	-	-
Intergovernmental	70,168	-	-
Other receivables	-	-	-
Due from other governments	875	-	-
Due from other funds	-	-	-
Restricted:			
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 490,696</u>	<u>\$ 179,440</u>	<u>\$ 15,614</u>
 Liabilities, deferred inflows, and fund balance			
Liabilities:			
Accounts payable	\$ 14,667	\$ -	\$ -
Accrued salaries	9,130	-	-
Due to other funds	12,482	199	2,122
Deposits held for others	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>36,279</u>	<u>199</u>	<u>2,122</u>
Deferred inflows of resources:			
Delinquent property taxes	<u>1,520</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted for:			
Special revenue funds	-	179,241	13,492
Unassigned	<u>452,897</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>452,897</u>	<u>179,241</u>	<u>13,492</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 490,696</u>	<u>\$ 179,440</u>	<u>\$ 15,614</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2015

	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 46,637	\$ 659,466
Receivables:		
Property taxes	-	1,878
Intergovernmental	-	70,168
Other receivables	9,436	9,436
Due from other governments	-	875
Due from other funds	11,613	11,613
Restricted:		
Cash and cash equivalents	<u>1,450</u>	<u>1,450</u>
Total assets	<u>\$ 69,136</u>	<u>\$ 754,886</u>
Liabilities, deferred inflows, and fund balance		
Liabilities:		
Accounts payable	\$ -	\$ 14,667
Accrued salaries	-	9,130
Due to other funds	622	15,425
Deposits held for others	<u>1,700</u>	<u>1,700</u>
Total liabilities	<u>2,322</u>	<u>40,922</u>
Deferred inflows of resources:		
Delinquent property taxes	<u>-</u>	<u>1,520</u>
Fund balance:		
Restricted for:		
Special revenue funds	66,814	259,547
Unassigned	<u>-</u>	<u>452,897</u>
Total fund balance	<u>66,814</u>	<u>712,444</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 69,136</u>	<u>\$ 754,886</u>

(2 of 2)

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
TOWN OF TATUM

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

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

Fund balances - total governmental funds	\$	712,444
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		4,666,151
Accumulated depreciation		(2,713,100)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable		1,520
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		
Bonds payable		(71,149)
Accrued interest payable		(167)
Accrued vacation payable		<u>(23,084)</u>
Net position of governmental activities	\$	<u>2,572,615</u>

STATE OF NEW MEXICO

TOWN OF TATUM

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2015

	General <u>Fund</u>	Fire <u>Fund #209</u>	Senior Center <u>Fund #219</u>
Revenues:			
Taxes:			
Property	\$ 29,128	\$ -	\$ -
Gross receipts	504,225	-	-
Gasoline	48,382	-	-
Intergovernmental - federal grants	-	-	5,110
Intergovernmental - state grants	109,930	70,089	48,202
Contributions - private grants	33,564	13,000	17,073
Licenses and permits	28,335	-	-
Fines and forfeitures	65,833	-	-
Charges for services	13,766	1,248	-
Investment and interest income	-	-	-
Miscellaneous	<u>36,899</u>	<u>3,040</u>	<u>148</u>
Total revenues	<u>870,062</u>	<u>87,377</u>	<u>70,533</u>
Expenditures:			
Current:			
General government	271,544	-	-
Public safety	413,274	72,825	-
Culture and recreation	83,248	-	-
Health	-	-	116,816
Capital outlay	43,726	-	-
Debt service:			
Principal retirement	-	-	-
Bond interest paid	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>811,792</u>	<u>72,825</u>	<u>116,816</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>58,270</u>	<u>14,552</u>	<u>(46,283)</u>
Other financing sources and financing uses:			
Transfers in	8,592	1,866	45,303
Transfers out	<u>(114,542)</u>	<u>(367)</u>	<u>(9)</u>
Total other financing sources and financing uses	<u>(105,950)</u>	<u>1,499</u>	<u>45,294</u>
<i>Net change in fund balance</i>	(47,680)	16,051	(989)
Fund balance at beginning of the year	<u>500,577</u>	<u>163,190</u>	<u>14,481</u>
Fund balance at end of the year	<u>\$ 452,897</u>	<u>\$ 179,241</u>	<u>\$ 13,492</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

TOWN OF TATUM

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2015

	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:		
Taxes:		
Property	\$ -	\$ 29,128
Gross receipts	-	504,225
Gasoline	-	48,382
Intergovernmental - federal grants	-	5,110
Intergovernmental - state grants	21,800	250,021
Contributions - private grants	11,500	75,137
Licenses and permits	-	28,335
Fines and forfeitures	31,741	97,574
Charges for services	35,968	50,982
Investment and interest income	1	1
Miscellaneous	<u>8,979</u>	<u>49,066</u>
Total revenues	<u>109,989</u>	<u>1,137,961</u>
Expenditures:		
Current:		
General government	3,413	274,957
Public safety	58,946	545,045
Culture and recreation	16,396	99,644
Health	3,371	120,187
Capital outlay	-	43,726
Debt service:		
Principal retirement	13,876	13,876
Bond interest paid	<u>967</u>	<u>967</u>
Total expenditures	<u>96,969</u>	<u>1,098,402</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>13,020</u>	<u>39,559</u>
Other financing sources and financing uses:		
Transfers in	23,160	78,921
Transfers out	<u>(10,115)</u>	<u>(125,033)</u>
Total other financing sources and financing uses	<u>13,045</u>	<u>(46,112)</u>
<i>Net change in fund balance</i>	26,065	(6,553)
Fund balance at beginning of the year	<u>40,749</u>	<u>718,997</u>
Fund balance at end of the year	<u>\$ 66,814</u>	<u>\$ 712,444</u>

(2 of 2)

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
TOWN OF TATUM

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

Net change in fund balance - total governmental funds	\$	(6,553)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Capital outlay		43,726
Depreciation		(253,019)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>Deferred property taxes at:</p>		
June 30, 2014		(486)
June 30, 2015		1,520
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:</p>		
Current year principal payments		13,876
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
<p>Compensated absences at:</p>		
June 30, 2014		19,119
June 30, 2015		(23,084)
<p>Accrued interest at:</p>		
June 30, 2014		161
June 30, 2015		<u>(167)</u>
Change in net position of governmental activities	\$	<u><u>(204,907)</u></u>

STATE OF NEW MEXICO

TOWN OF TATUM

GENERAL FUND

Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ 29,011	\$ 29,011
Gross receipts	610,435	610,435	543,648	(66,787)
Gasoline	36,099	36,099	38,803	2,704
Intergovernmental - state sources:				
State grant	97,800	97,800	109,930	12,130
Contributions - private grants	-	-	33,903	33,903
Licenses and permits	32,220	32,220	32,140	(80)
Fines and forfeitures	102,670	102,670	65,833	(36,837)
Charges for services	8,165	8,165	14,503	6,338
Investment and interest income	6	6	9	3
Miscellaneous	-	-	37,490	37,490
Total revenues	887,395	887,395	905,270	17,875
Expenditures:				
Current:				
General government	235,317	275,717	274,780	937
Public safety	467,049	415,749	415,562	187
Culture and recreation	64,441	83,441	83,420	21
Capital outlay:				
Equipment	-	-	43,726	(43,726)
Total expenditures	766,807	774,907	817,488	(42,581)
<i>Excess of revenues over expenditures</i>	120,588	112,488	87,782	(24,706)
Other financing sources and financing uses:				
Transfers in	-	-	8,592	8,592
Transfers out	-	-	(114,542)	(114,542)
Total other financing sources and financing uses	-	-	(105,950)	(105,950)
<i>Net change in fund balance</i>	120,588	112,488	(18,168)	(130,656)
Fund balance at beginning of the year	-	-	500,577	500,577
Fund balance at end of the year	\$ 120,588	\$ 112,488	482,409	\$ 369,921
RECONCILIATION TO GAAP BASIS:				
Change in receivables			69,568	
Change in property tax receivable			277	
Change in due from other governments			(104,017)	
Change in payables			829	
Change in accrued liabilities			4,865	
Change in deferred property taxes			(1,034)	
Fund balance at end of the year (GAAP basis)			\$ 452,897	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

FIRE FUND - NO. 209
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 54,324	\$ 60,524	\$ 70,089	\$ 9,565
Contributions - private grants	-	-	13,000	13,000
Charges for services	-	-	1,248	1,248
Miscellaneous	55	55	3,041	2,986
Total revenues	54,379	60,579	87,378	26,799
Expenditures:				
Current:				
Public safety	54,379	60,579	73,557	(12,978)
<i>Excess of revenues over expenditures</i>	-	-	13,821	13,821
Other financing sources and financing uses:				
Transfers in	-	-	1,866	1,866
Transfers out	-	-	(367)	(367)
Total other financing sources and financing uses	-	-	1,499	1,499
<i>Net change in fund balance</i>	-	-	15,320	15,320
Fund balance at beginning of the year	-	-	163,190	163,190
Fund balance at end of the year	\$ -	\$ -	178,510	\$ 178,510
RECONCILIATION TO GAAP BASIS:				
Change in payables			605	
Change in accrued liabilities			126	
Fund balance at end of the year (GAAP basis)			\$ 179,241	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

TOWN OF TATUM

SENIOR CENTER FUND - NO. 219

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 4,903	\$ 4,903	\$ 5,110	\$ 207
Intergovernmental - state grants	52,512	52,512	54,514	2,002
Contributions - private grants	-	-	17,073	17,073
Miscellaneous	-	-	148	148
Total revenues	<u>57,415</u>	<u>57,415</u>	<u>76,845</u>	<u>19,430</u>
Expenditures:				
Current:				
Health	<u>114,320</u>	<u>119,120</u>	<u>119,069</u>	<u>51</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(56,905)</u>	<u>(61,705)</u>	<u>(42,224)</u>	<u>19,481</u>
Other financing sources and financing uses:				
Transfers in	53,470	53,470	45,303	(8,167)
Transfers out	-	-	(9)	(9)
Total other financing sources and financing uses	<u>53,470</u>	<u>53,470</u>	<u>45,294</u>	<u>(8,176)</u>
<i>Net change in fund balance</i>	(3,435)	(8,235)	3,070	11,305
<i>Beginning cash balance budgeted</i>	3,435	8,235	-	(8,235)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>14,481</u>	<u>14,481</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>17,551</u>	<u>\$ 17,551</u>
RECONCILIATION TO GAAP BASIS:				
Change in due from other governments			(6,312)	
Change in payables			583	
Change in accrued liabilities			<u>1,670</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 13,492</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

PROPRIETARY FUNDS
Statement of Net Position
June 30, 2015

	Joint Utility Enterprise <u>Fund #501</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 37,069
Receivables:	
Accounts (net of allowance for uncollectible)	36,498
Intergovernmental	1,337
Due from other funds	<u>3,812</u>
Total current assets	78,716
Noncurrent assets:	
Capital assets:	
Land	8,320
Improvements other than buildings	2,079,796
Machinery and equipment	875,575
Less: accumulated depreciation	<u>(1,361,426)</u>
Total assets	<u>1,680,981</u>
Liabilities	
Current liabilities:	
Accounts payable	27,022
Accrued salaries	1,931
Compensated absences	7,179
Customer deposits	<u>24,019</u>
Total liabilities	<u>60,151</u>
Net position:	
Net investment in capital assets	1,602,265
Unrestricted	<u>18,565</u>
Total net position	<u>\$ 1,620,830</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

TOWN OF TATUM

PROPRIETARY FUNDS

Statement of Revenues, Expenditures, and Changes in Net Position

Year Ended June 30, 2015

	Joint Utility Enterprise
Operating revenues:	
Charges for sales and services:	
Charges for sales and services:	\$ 376,203
Operating expenses:	
Personal services	124,679
Utilities	20,603
Contractual services	7,974
Repairs and maintenance	12,631
Insurance claims and expenses	62,046
Other operating expenses	211,160
Depreciation	116,814
Total operating expenses	<u>555,907</u>
<i>Operating income (loss)</i>	<u>(179,704)</u>
Nonoperating revenues (expenses):	
Intergovernmental	11,500
Gross receipts tax	14,053
Total Nonoperating revenues (expenses)	<u>25,553</u>
<i>Income (loss) before contributions and transfers</i>	(154,151)
Transfers in	46,146
Transfers out	<u>(34)</u>
<i>Change in net position</i>	<u>(108,039)</u>
Net position at beginning of the year	1,635,425
Restatement	93,444
Net position as restated	<u>1,728,869</u>
Net position at end of the year	<u>\$ 1,620,830</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 2015

Joint Utility
 Enterprise
Fund #501

CASH FLOWS FROM OPERATING
 ACTIVITIES

Receipts from customers and users	\$	377,483
Payments to supplies and maintenance		(316,458)
Payments to employees		(127,261)
		(66,236)

CASH FLOWS FROM NONCAPITAL
 FINANCING ACTIVITIES

Transfer to other funds		(34)
Transfer from other funds		46,146
Due from other funds		(3,812)
Intergovernmental grants		11,500
Payments of taxes		14,973
		68,773

Net increase (decrease) in cash and cash equivalents

2,537

Cash and cash equivalents, beginning of year

34,532

Cash and cash equivalents, end of year

\$ 37,069

RECONCILIATION OF OPERATING INCOME
 TO NET CASH PROVIDED (USED) BY
 OPERATING ACTIVITIES

Operating income (loss)	\$	(179,704)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		116,814
(Increase) decrease in assets:		
Accounts receivable		275
Increase (decrease) in liabilities:		
Accounts payable		(2,044)
Accrued liabilities		(2,699)
Customer deposits		1,005
Compensated absences payable		117
		113,468
Total adjustments		113,468
Net cash used in operating activities	\$	(66,236)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF TATUM

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2015

ASSETS

Pooled cash and investments	\$	<u>1,502</u>
-----------------------------	----	--------------

LIABILITIES

Deposits held for others	\$	<u>1,502</u>
--------------------------	----	--------------

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	26
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Government-Wide and Fund Financial Statements	28
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	28
1. Major Funds	28
D. Assets, Liabilities, and Net Position or Equity	29
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	34
B. Budgetary Violations	34
C. Deficit Fund Equity	34
III. DETAILED NOTES ON ALL FUNDS	
A. Cash and Temporary Investments	35
B. Receivables	36
C. Capital Assets	37
D. Inter-Fund Receivables and Payables	36
E. Inter-Fund Transfers	37
F. Long-Term Debt	38
IV. OTHER INFORMATION	40

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. A summary of the Town of Tatum, New Mexico's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

Town of Tatum, New Mexico (Town) was incorporated under provisions of Chapter 3, Article 2, NMSA 1978, and it is administered by a Mayor-Council form of government. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's financial statements to be misleading or incomplete. The Town provides the usual municipal services with the exception of education, which is administered by other governmental agencies.

The Town's financial statements include all entities over which the Board of Councilors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the Town (primary government) and its component units. The Town has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

Blended Component Units

Legally separate component units for which the Town is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Town had no blended component units during the fiscal year ended June 30, 2015.

Discretely Presented Component Units

The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Town. The Town had no discrete component units during the fiscal year ended June 30, 2015.

Related Organizations

The Town appoints members to the boards, but the Town's accountability for the organizations does not extend beyond making these appointments and there is no fiscal dependency of these organizations on the Town.

During fiscal year 2015, Town of Tatum adopted the following GASB Statements:

- GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This Statement requires the liability of defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which distinguishes between a government merger and a government acquisition and establishes accounting and financial reporting standards related to government combinations and disposals of government operations.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68)*, improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement will be effective at the implementation of GASB 68.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A. Reporting Entity (cont'd)

Other accounting standards that Town of Tatum is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

The summary of significant accounting policies of the Town is presented to assist in the understanding of the Town’s financial statements. The financial statements and notes are the representation of Town of Tatum’s management who is responsible for their integrity and objectivity. The financial statements of the Town conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Government-Wide 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 Town. For the most part, the effect of inter-fund activity has been removed from these statements. Exceptions to this practice include payments and other charges between the Town's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, and enterprise funds, each reported as a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as non-major funds.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The Town considers all revenue as available, if collected within 60 days after year-end. Property taxes, sales and use taxes, franchise taxes, occupational privilege taxes, interest revenue, grant revenue, and charges for services are susceptible to accrual. Other receipts, fines, licenses, and permits revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time. Grant revenue is considered available if expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred, except for debt service expenditures, and certain compensated absences and claims and judgments which are recognized when the payment is due.

The government reports the following major governmental funds:

General Fund – Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Fire Fund – To account for the revenues and expenditures of fire protection. Funding is provided by allotments from the New Mexico State Fire Marshall's Office. The funds were created under the authority of state statute (section 59A-93-5-8 and 59A-53-5, NMSA 1978 compilation).

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

The Town reports the following major proprietary funds:

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.

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

Agency Funds – Agency funds account for miscellaneous assets held by the Town for other funds, governmental units, and individuals. Agency funds are custodial in nature and do not involve measurement of results of operations. The municipal court fund is an agency fund used to account for receipts and disbursements collected by the municipal court.

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 enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the administrative expenses cost of sales and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The effect of inter-fund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the Town's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the investment of the Town's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Town is also allowed to invest in United States Government obligations. All funds for the Town must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks 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 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.

Excess of funds may be temporarily invested in securities which 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due from/to other funds.”

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the Town has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the Town has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. Receivable and deferred inflows revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the Town has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not been collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

Due from other governments includes amounts due from grantors for grants for specific programs and capital projects. Program and capital grants for capital assets are recorded as receivables and revenues when all eligibility requirements are met. Revenues received in advance of project costs being incurred or for which eligibility requirements have not been met are deferred inflows. In the governmental funds, revenue recognition depends on the timing of cash collections (availability).

The joint utility enterprise fund is responsible for billing and collecting water, sewer, and solid waste fees using a cycle billing system monthly. Revenues relating to future years are classified as deferred inflows. All trade receivables are shown net of an allowance for uncollectible. The Town reviews accounts receivable on a regular basis and all receivable are reported net of uncollectible accounts.

The Town has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the Town.

3. *Prepaid Items*

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items.

4. *Capital assets*

Capital assets, which include land, collections, construction in progress, buildings, equipment (software), and infrastructure assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The Town does not develop software for internal use or any other use.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the Town is \$5,000.

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

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	10 to 50
Buildings and improvements	10 to 45
Motor vehicles and motorized equipment	5 to 30
Furniture, machinery, equipment, and software	5 to 30
Infrastructure	10 to 50

No depreciation is recorded for assets held for disposition. Library books and software are depreciated if the single individual cost is \$5,000 or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

5. *Compensated absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees. The Town does not pay for unused sick leave upon termination; therefore, amounts are not accrued for sick leave liability.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

6. *Long-term obligations*

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

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

7. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The Town has elected to not participate in PERA.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

8. *Deferred Outflows of Resources and Deferred Inflows of Resources*

A deferred inflow of resources is an acquisition of net position by the Town that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the Town that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources.

For governmental funds, deferred inflows of resources are comprised of various taxes receivable amounts and special assessments. For proprietary funds, deferred inflows of resources are comprised of unavailable fuel hedge revenues. All revenues related to these deferred inflows of resources have been recognized as revenue in the government-wide statements. Deferred outflows of resources consist of deferred gains or losses on refunded debt. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

9. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Town's Council should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Town's Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town did not have committed fund balances for the year ended June 30, 2015.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, (b) that are not classified as non-spendable and are neither restricted nor committed and (c) amounts in the general fund that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Council. The Town did not have assigned fund balances for the year ended June 30, 2015.

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Town's policy to use committed first followed by assigned and unassigned resources as they are needed.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

10. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of “net investment in capital assets” or “restricted.”

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

11. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for all funds except agency funds. All budgets are prepared on the Non-GAAP cash basis. All annual appropriations lapse at fiscal yearend. Carry over funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserve portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by Town Council resolution with approval by the State Department of Finance and Administration. Town department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing Council.

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Town Clerk-Treasurer submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers comments. Prior to September 1, the budget is legally enacted through passage of a resolution.

The Town Clerk-Treasurer is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Town Council. Expenditures of the Town may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

The budgetary information presented in these financial statements have been amended in accordance with the above procedures.

B. Budgetary Violations

The Town exceeded its legal budget in the General Fund, Fire Fund, Emergency Medical and Joint Utility Fund any individual funds during the year ended June 30, 2015.

	Final Approved <u>Budget</u>	Actual <u>Expenditures</u>	Excess of Approved <u>Budget</u>
General Fund	\$ 774,907	\$ 817,488	\$ (42,581)
Fire Fund	60,579	73,557	(12,978)
Emergency Medical Services	30,464	31,143	(679)

C. Deficit Fund Equity

There were not any deficit fund balance as of June 30, 2015.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

Cash and equivalents are comprised of the following balances:

	<u>Balance</u>
Financial institution:	
Western Commerce Bank	\$ 575,545
Lea County State Bank	144,183
Less restricted cash	(1,450)
Less agency cash	(1,502)
Less net reconciling items	(20,295)
State agencies:	
New Mexico State Treasurer	54
Total cash and equivalents	\$ 696,535

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the direct obligations of the United States government or are agencies sponsored by the United States government. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.

At June 30, 2015, the carrying amount of the Town's deposits was \$699,487 and the bank balance was \$719,782 with the difference consisting of outstanding checks. Of this balance \$394,183 was covered by federal depository insurance and \$325,599 was covered by collateral held in joint safekeeping by a third party.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2015, none of the Town's bank balance of \$719,782 was exposed to custodial risk as follows:

	Western Commerce <u>Bank</u>	Lea County <u>State Bank</u>	New Mexico Finance <u>Authority</u>	<u>Total</u>
Uninsured and Uncollateralized	\$ -	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the Organization's name	325,545	-	54	325,599
Total uninsured	325,545	-	54	325,599
Total (FDIC)	250,000	144,183	-	394,183
Total deposits	575,545	144,183	54	719,782
State of New Mexico collateral requirement:				
50% of uninsured public fund bank deposits	\$ 162,773	\$ -	\$ 27	\$ 162,800
Pledged Security	453,582	-	54	453,636
Over collateralization	\$ 290,809	\$ -	\$ 27	\$ 290,836

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS (cont'd)

A. Cash and Temporary Investments (cont'd)

The collateral pledged is listed on Page 65 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Town or political subdivision of the State of New Mexico.

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

B. Receivables

Receivables as of June 30, 2015 are as follows:

	<u>General</u>	<u>Fire</u>	<u>Senior Center</u>	<u>Other Governmental</u>	<u>Joint Utility</u>
Accounts Receivable	\$ -	\$ -	\$ -	\$ 40,551	\$ 38,071
Property taxes	1,878	-	-	-	-
Intergovernmental	70,168	-	-	-	1,337
Due from other					
Governments	875	-	-	-	-
Due from other funds	-	-	-	11,613	3,812
Gross receivables	<u>72,921</u>	<u>-</u>	<u>-</u>	<u>52,164</u>	<u>43,220</u>
Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,115</u>	<u>1,573</u>
Net receivables	<u>\$ 72,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,049</u>	<u>\$ 41,647</u>

Revenues of the Enterprise Funds are reported net of uncollectible amounts. Total uncollectible amounts related to the revenue are as follows:

<u>Uncollectibles:</u>	
Emergency Medical Services	\$ 31,115
Joint Utility Fund	<u>1,573</u>
Total	<u>\$ 32,688</u>

C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2015 were:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 12,482
Fire Fund	-	199
Senior Center	-	2,122
Other Governmental Funds	11,613	622
Joint Utility Fund	<u>3,812</u>	<u>-</u>
Total Due To/Due From Other Funds	<u>\$ 15,425</u>	<u>\$ 15,425</u>

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. All loans are expected to be repaid within the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS (cont'd)

D. Inter-Fund Transfers

The inter-fund transfers during the year ended June 30, 2015 were.

	<u>Transfer out</u>	<u>Transfer in</u>
Governmental funds:		
General Fund	\$ 114,542	\$ 8,592
Fire Fund	367	1,866
Senior Center	9	45,303
Other Governmental Funds	10,115	23,160
Business type activities:		
Joint Utility	34	46,146
Total transfers	<u>\$ 125,067</u>	<u>\$ 125,067</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Restatement</u>	<u>Balance</u> <u>Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 54,168	\$ 10	\$ 54,178	\$ 6,190	\$ -	\$ 60,368
Construction in progress	53,256	-	53,256	27,599	-	80,855
Total capital assets not being depreciated	107,424	10	107,434	33,789	-	141,223
Capital assets being depreciated:						
Buildings and improvements	2,564,376	-	2,564,376	-	-	2,564,376
Infrastructure	570,329	-	570,329	-	-	570,329
Furniture, fixtures, and equipment	1,943,573	-	1,943,573	9,937	-	1,953,510
Total capital assets being depreciated	5,078,278	-	5,078,278	9,937	-	5,088,215
Less accumulated depreciation for:						
Buildings and improvements	(718,257)	(1,232,141)	(1,950,398)	(66,642)	-	(2,017,040)
Infrastructure	(173,283)	(252,953)	(426,236)	(15,406)	-	(441,642)
Furniture, fixtures, and equipment	(1,568,541)	921,807	(646,734)	(170,971)	-	(817,705)
Total accumulated depreciation	(2,460,081)	(563,287)	(3,023,368)	(253,019)	-	(3,276,387)
Total capital assets being depreciated, net	2,618,197	(563,287)	2,054,910	(243,082)	-	1,811,828
Total capital assets, net	<u>\$2,725,621</u>	<u>\$ (563,277)</u>	<u>\$2,162,344</u>	<u>\$ (209,293)</u>	<u>\$ -</u>	<u>\$1,953,051</u>

Depreciation has been allocated to the functions by the following amounts:

Depreciation by fund:	
General	\$ 66,650
Public safety	132,120
Culture and recreation	25,115
Public works	-
Health	29,134
Total	<u>\$ 253,019</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS (cont'd)

E. Capital Assets (cont'd)

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:						
Capital assets not being depreciated:						
Land	\$ 8,320	\$ -	\$ 8,320	\$ -	\$ -	\$ 8,320
Capital assets being depreciated:						
Utility system	2,079,796	-	2,079,796	-	-	2,079,796
Furniture, fixtures, and equipment	875,575	-	875,575	-	-	875,575
Total capital assets being depreciated	<u>2,955,371</u>	<u>-</u>	<u>2,955,371</u>	<u>-</u>	<u>-</u>	<u>2,955,371</u>
Less accumulated depreciation for:						
Utility system	(631,021)	25,387	(605,634)	(45,447)	-	(651,081)
Furniture, fixtures, and equipment	(707,035)	68,056	(638,979)	(71,366)	-	(710,345)
Total accumulated depreciation	<u>(1,338,056)</u>	<u>93,443</u>	<u>(1,244,613)</u>	<u>(116,813)</u>	<u>-</u>	<u>(1,361,426)</u>
Total capital assets being depreciated, net	<u>1,617,315</u>	<u>93,443</u>	<u>1,710,758</u>	<u>(116,813)</u>	<u>-</u>	<u>1,593,945</u>
Total capital assets, net	<u>\$ 1,625,635</u>	<u>\$ 93,443</u>	<u>\$ 1,719,078</u>	<u>\$ (116,813)</u>	<u>\$ -</u>	<u>\$ 1,602,265</u>

The Schedule of Capital Assets Used by Source and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

F. Long-Term Debt

Revenue Bonds

The Town has issued a note where the Town pledges state law enforcement protection revenues, state gasoline tax revenue, and state law enforcement protection revenue.

<u>Revenue Note</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance</u>	<u>Due Within One Year</u>
Police Vehicles and Equipment	5/1/2020	\$ 98,166	1.237%	\$ 71,149	\$ 13,953

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 13,953	\$ 891	\$ 14,844
2017	14,059	784	14,843
2018	14,189	654	14,843
2019	14,364	479	14,843
2020	<u>14,584</u>	<u>260</u>	<u>14,844</u>
Total	<u>\$ 71,149</u>	<u>\$ 3,068</u>	<u>\$ 74,217</u>

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

III. DETAILED NOTES ON ALL FUNDS (cont'd)

F. Long-Term Debt (cont'd)

Changes in long term debt – During the year ended June 30, 2015 the long-term liability activity is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>	Amount Due <u>Within One Year</u>
Compensated absences:					
Governmental activities	\$ 19,119	\$ 28,505	\$ 26,572	\$ 21,052	\$ 21,052
Business type activities	<u>7,062</u>	<u>9,585</u>	<u>9,468</u>	<u>7,179</u>	<u>7,179</u>
Total Compensated absences	26,181	38,090	36,040	28,231	28,231
Revenue notes payable	<u>85,025</u>	<u>-</u>	<u>13,876</u>	<u>71,149</u>	<u>13,953</u>
	<u>\$ 111,206</u>	<u>\$ 38,090</u>	<u>\$ 49,916</u>	<u>\$ 99,380</u>	<u>\$ 42,184</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The Bonds and Loans are paid from the general fund, debt service fund and the fire districts.

G. Insurance Recoveries

The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted

H. Reserved Fund Balances

The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures be reserved as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Town of Tatum is a member and is insured through the New Mexico Town Insurance Authority. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico counties. The Town pays an annual premium to the Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Town is not liable for more than the premiums paid.

B. 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, 2015 was \$7,926.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

V. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits

Plan Description

Town of Tatum contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 the 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:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 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 7-1-6.1 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

V. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$11,204, \$10,695, and \$10,797, respectively, which equal the required contributions for each year.

D. Contingent Liabilities

Litigation

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

E. Restatement

There was a restatement of the financials was for accumulated depreciation in the amount of \$563,287 in the governmental activities and \$93,444 in the business type activities.

F. Subsequent Events

Subsequent events were evaluated through November 14, 2015, which is the date the financial statements were available to be issued.

THIS PAGE INTENTIONALLY LEFT BLANK

MAJOR PROPRIETARY FUND

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO

TOWN OF TATUM

JOINT UTILITY ENTERPRISE FUND - NO. 501

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Gross receipts tax	\$ 14,937	\$ 14,937	\$ 12,716	\$ (2,221)
Charges for sales and services:	348,836	348,836	379,740	30,904
Intergovernmental funds	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>11,500</u>
Total operating revenues	<u>363,773</u>	<u>363,773</u>	<u>403,956</u>	<u>40,183</u>
Operating expenses:				
Personal services	130,000	100,240	100,239	1
Utilities	25,000	23,005	23,005	-
Contractual services	-	7,974	7,974	-
Repairs and maintenance	15,000	12,632	12,631	1
Insurance claims and expenses	65,000	62,050	62,046	4
Other operating expenses	<u>186,557</u>	<u>238,156</u>	<u>237,824</u>	<u>332</u>
Total operating expenses	<u>421,557</u>	<u>444,057</u>	<u>443,719</u>	<u>338</u>
<i>Operating income (loss)</i>	(57,784)	(80,284)	(39,763)	39,845
Transfers in	40,648	40,648	46,146	-
Transfers out	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>-</u>
<i>Change in net position</i>	<u>(17,136)</u>	<u>(39,636)</u>	<u>6,349</u>	<u>39,845</u>
<i>Beginning cash balance budgeted</i>	<u>17,136</u>	<u>39,636</u>	<u>-</u>	<u>39,636</u>
Net position at beginning of the year	-	-	1,635,425	1,635,425
Restatement	<u>-</u>	<u>-</u>	<u>93,444</u>	<u>93,444</u>
Net position as restated	<u>-</u>	<u>-</u>	<u>1,728,869</u>	<u>1,728,869</u>
Net position at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>3,370,643</u>	<u>\$ 3,404,139</u>
RECONCILIATION TO GAAP BASIS:				
Change in due from other governments			(920)	
Change in payables			2,044	
Change in accrued liabilities			<u>2,307</u>	
Net position at end of the year (GAAP basis)			<u>\$ 3,374,074</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR GOVERNMENTAL FUNDS

THIS PAGE INTENTIONALLY LEFT BLANK

NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

EMERGENCY MEDICAL SERVICES (EMS) Minimum Balance: None

To account 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.

LAW ENFORCEMENT PROTECTION FUND Minimum Balance: None

To account 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.

LOCAL GOVERNMENT CORRECTION FUND Minimum Balance: None

To account 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.

RECREATION FUND Minimum Balance: None

To account for receipts which are restricted for use in recreational areas only. The fund was established by local ordinance.

SENIOR CITIZENS FUND Minimum Balance: None

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

SPECIAL BUILDING FUND Minimum Balance: None

To account 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.

CEMETERY FUND Minimum Balance: None

To account 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.

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2015

Special Revenue Funds

	Corrections Fund #201	Emergency Medical Services Fund #206	Law Protection Fund #211	Recreation Fund #217	Cemetery Fund #221	Special Building Fund #229
Assets						
Cash and cash equivalents	\$ 11,761	\$ 11,619	\$ 56	\$ 4,232	\$ 14,123	\$ 4,846
Receivables:						
Other receivables	-	9,436	-	-	-	-
Due from other funds	9,248	-	-	2,365	-	-
Restricted:						
Cash and cash equivalents	-	-	-	1,450	-	-
Total assets	\$ 21,009	\$ 21,055	\$ 56	\$ 8,047	\$ 14,123	\$ 4,846
Liabilities and fund balance						
Liabilities:						
Due to other funds	\$ -	\$ 574	\$ -	\$ -	\$ 48	\$ -
Deposits held for others	-	-	-	1,700	-	-
Total liabilities	-	574	-	1,700	48	-
Fund balance:						
Restricted for:						
Special revenue funds	21,009	20,481	56	6,347	14,075	4,846
Total liabilities and fund balance	\$ 21,009	\$ 21,055	\$ 56	\$ 8,047	\$ 14,123	\$ 4,846

(cont'd; 1 of 2)

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2015

	Total Non-Major Special Revenue <u>Funds</u>	CDBG <u>Fund #300</u>	Total Nonmajor Governmental <u>Funds</u>
Assets			
Cash and cash equivalents	\$ 46,637	\$ -	\$ 46,637
Receivables:			
Other receivables	9,436	-	9,436
Due from other funds	11,613	-	11,613
Restricted:			
Cash and cash equivalents	<u>1,450</u>	<u>-</u>	<u>1,450</u>
Total assets	<u>\$ 69,136</u>	<u>\$ -</u>	<u>\$ 69,136</u>
 Liabilities and fund balance			
Liabilities:			
Due to other funds	\$ 622	\$ -	\$ 622
Deposits held for others	<u>1,700</u>	<u>-</u>	<u>1,700</u>
Total liabilities	2,322	-	2,322
Fund balance:			
Restricted for:			
Special revenue funds	<u>66,814</u>	<u>-</u>	<u>66,814</u>
Total liabilities and fund balance	<u>\$ 69,136</u>	<u>\$ -</u>	<u>\$ 69,136</u>

(2 of 2)

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2015

	Special Revenue Funds		
	Corrections Fund #201	Emergency Medical Services Fund #206	Law Protection Fund #211
Revenues:			
Intergovernmental - state grants	\$ -	\$ -	\$ 21,800
Contributions - private grants	-	11,500	-
Fines and forfeitures	31,741	-	-
Charges for services	5,077	21,191	-
Investment and interest income	-	-	1
Miscellaneous	<u>1,510</u>	<u>-</u>	<u>-</u>
Total revenues	<u>38,328</u>	<u>32,691</u>	<u>21,801</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	21,493	29,804	7,649
Culture and recreation	-	-	-
Health	-	-	-
Debt service:			
Principal retirement	-	-	13,876
Bond interest paid	<u>-</u>	<u>-</u>	<u>967</u>
Total expenditures	<u>21,493</u>	<u>29,804</u>	<u>22,492</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>16,835</u>	<u>2,887</u>	<u>(691)</u>
Other financing sources and financing uses:			
Transfers in	1,493	10,034	1,121
Transfers out	<u>(9,896)</u>	<u>(77)</u>	<u>(142)</u>
Total other financing sources and financing uses	<u>(8,403)</u>	<u>9,957</u>	<u>979</u>
<i>Net change in fund balance</i>	8,432	12,844	288
Fund balance (deficit) at beginning of the year	<u>12,577</u>	<u>7,637</u>	<u>(232)</u>
Fund balance at end of the year	<u>\$ 21,009</u>	<u>\$ 20,481</u>	<u>\$ 56</u>

(cont'd; 1 of 3)

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Recreation Fund #217	Cemetery Fund #221	Special Building Fund #229	
Revenues:				
Intergovernmental - state grants	\$ -	\$ -	\$ -	\$ 21,800
Contributions - private grants	-	-	-	11,500
Fines and forfeitures	-	-	-	31,741
Charges for services	-	9,700	-	35,968
Investment and interest income	-	-	-	1
Miscellaneous	<u>6,025</u>	<u>-</u>	<u>1,444</u>	<u>8,979</u>
Total revenues	<u>6,025</u>	<u>9,700</u>	<u>1,444</u>	<u>109,989</u>
Expenditures:				
Current:				
General government	-	-	3,413	3,413
Public safety	-	-	-	58,946
Culture and recreation	16,396	-	-	16,396
Health	-	3,371	-	3,371
Debt service:				
Principal retirement	-	-	-	13,876
Bond interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>967</u>
Total expenditures	<u>16,396</u>	<u>3,371</u>	<u>3,413</u>	<u>96,969</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,371)</u>	<u>6,329</u>	<u>(1,969)</u>	<u>13,020</u>
Other financing sources and financing uses:				
Transfers in	5,672	-	-	18,320
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,115)</u>
Total other financing sources and financing uses	<u>5,672</u>	<u>-</u>	<u>-</u>	<u>8,205</u>
<i>Net change in fund balance</i>	(4,699)	6,329	(1,969)	21,225
Fund balance (deficit) at beginning of the year	<u>11,046</u>	<u>7,746</u>	<u>6,815</u>	<u>45,589</u>
Fund balance at end of the year	<u>\$ 6,347</u>	<u>\$ 14,075</u>	<u>\$ 4,846</u>	<u>\$ 66,814</u>

(cont'd; 2 of 3)

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2015

	CDBG <u>Fund #300</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:		
Intergovernmental - state grants	\$ -	\$ 21,800
Contributions - private grants	-	11,500
Fines and forfeitures	-	31,741
Charges for services	-	35,968
Investment and interest income	-	1
Miscellaneous	<u>-</u>	<u>8,979</u>
Total revenues	<u>-</u>	<u>109,989</u>
Expenditures:		
Current:		
General government	-	3,413
Public safety	-	58,946
Culture and recreation	-	16,396
Health	-	3,371
Debt service:		
Principal retirement	-	13,876
Bond interest paid	<u>-</u>	<u>967</u>
Total expenditures	<u>-</u>	<u>96,969</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>13,020</u>
Other financing sources and financing uses:		
Transfers in	4,840	23,160
Transfers out	<u>-</u>	<u>(10,115)</u>
Total other financing sources and financing uses	<u>4,840</u>	<u>13,045</u>
<i>Net change in fund balance</i>	4,840	26,065
Fund balance (deficit) at beginning of the year	<u>(4,840)</u>	<u>40,749</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ 66,814</u>

(3 of 3)

NONMAJOR GOVERNMENTAL FUNDS
BUDGETARY PRESENTATION

STATE OF NEW MEXICO
TOWN OF TATUM

CORRECTIONS FUND - NO. 201
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 18,458	\$ 18,458	\$ 31,741	\$ 13,283
Charges for services	-	-	5,077	5,077
Miscellaneous	1,200	1,200	1,510	310
Total revenues	19,658	19,658	38,328	18,670
Expenditures:				
Current:				
Public safety	22,675	22,675	22,379	296
<i>Excess (deficiency) of revenues over expenditures</i>	(3,017)	(3,017)	15,949	18,966
Other financing sources and financing uses:				
Transfers in	-	-	1,493	1,493
Transfers out	-	-	(9,895)	(9,895)
Total other financing sources and financing uses	-	-	(8,402)	(8,402)
<i>Net change in fund balance</i>	(3,017)	(3,017)	7,547	10,564
<i>Beginning cash balance budgeted</i>	3,017	3,017	-	(3,017)
Fund balance at beginning of the year	-	-	12,577	12,577
Fund balance at end of the year	\$ -	\$ -	20,124	\$ 20,124
RECONCILIATION TO GAAP BASIS:				
Change in payables			885	
Fund balance at end of the year (GAAP basis)			\$ 21,009	

STATE OF NEW MEXICO
TOWN OF TATUM

EMERGENCY MEDICAL SERVICES FUND - NO. 206
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Contributions - private grants	\$ -	\$ -	\$ 11,500	\$ 11,500
Charges for services	<u>22,801</u>	<u>20,464</u>	<u>19,159</u>	<u>(1,305)</u>
Total revenues	22,801	20,464	30,659	10,195
Expenditures:				
Current:				
Public safety	<u>33,864</u>	<u>30,464</u>	<u>31,143</u>	<u>(679)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,063)</u>	<u>(10,000)</u>	<u>(484)</u>	<u>9,516</u>
Other financing sources and financing uses:				
Transfers in	10,000	10,000	10,034	34
Transfers out	<u>-</u>	<u>-</u>	<u>(77)</u>	<u>(77)</u>
Total other financing sources and financing uses	<u>10,000</u>	<u>10,000</u>	<u>9,957</u>	<u>(43)</u>
<i>Net change in fund balance</i>	(1,063)	-	9,473	9,473
<i>Beginning cash balance budgeted</i>	1,063	-	-	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>7,637</u>	<u>7,637</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>17,110</u>	<u>\$ 17,110</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			2,710	
Change in payables			100	
Change in accrued liabilities			<u>561</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 20,481</u>	

STATE OF NEW MEXICO
TOWN OF TATUM

LAW PROTECTION FUND - NO. 211
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 21,800	\$ 21,800	\$ 6,956	\$ (14,844)
Investment and interest income	<u>53</u>	<u>53</u>	<u>-</u>	<u>(53)</u>
Total revenues	<u>21,853</u>	<u>21,853</u>	<u>6,956</u>	<u>(14,897)</u>
Expenditures:				
Current:				
Public safety	7,039	7,039	7,963	(924)
Debt service:				
Principal retirement	13,876	13,876	-	13,876
Bond interest paid	<u>967</u>	<u>967</u>	<u>-</u>	<u>967</u>
Total expenditures	<u>21,882</u>	<u>21,882</u>	<u>7,963</u>	<u>13,919</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(29)</u>	<u>(29)</u>	<u>(1,007)</u>	<u>(978)</u>
Other financing sources and financing uses:				
Transfers in	-	-	1,121	1,121
Transfers out	<u>-</u>	<u>-</u>	<u>(142)</u>	<u>(142)</u>
Total other financing sources and financing uses	<u>-</u>	<u>-</u>	<u>979</u>	<u>979</u>
<i>Net change in fund balance</i>	(29)	(29)	(28)	1
<i>Beginning cash balance budgeted</i>	29	29	-	(29)
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(232)</u>	<u>(232)</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>(260)</u>	<u>\$ (260)</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>316</u>	
Fund balance (deficit) at end of the year (GAAP basis)			<u>\$ 56</u>	

STATE OF NEW MEXICO
TOWN OF TATUM

RECREATION FUND - NO. 217
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Miscellaneous	\$ 3,420	\$ 7,020	\$ 6,025	\$ (995)
Expenditures:				
Current:				
Public safety	14,130	17,730	17,687	43
<i>Excess (deficiency) of revenues over expenditures</i>	(10,710)	(10,710)	(11,662)	(952)
Other financing sources:				
Transfers in	10,710	10,710	5,672	(5,038)
<i>Net change in fund balance</i>	-	-	(5,990)	(5,990)
Fund balance at beginning of the year	-	-	11,046	11,046
Fund balance at end of the year	\$ -	\$ -	5,056	\$ 5,056
RECONCILIATION TO GAAP BASIS:				
Change in payables			1,287	
Change in accrued liabilities			4	
Fund balance at end of the year (GAAP basis)			\$ 6,347	

STATE OF NEW MEXICO
TOWN OF TATUM

CEMETARY FUND - NO. 221
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 6,840	\$ 3,513	\$ 9,700	\$ 6,187
Expenditures:				
Current:				
Health	7,013	3,513	3,407	106
<i>Excess (deficiency) of revenues over expenditures</i>	(173)	-	6,293	6,293
<i>Beginning cash balance budgeted</i>	173	-	-	-
Fund balance at beginning of the year	-	-	7,746	7,746
Fund balance at end of the year	\$ -	\$ -	14,039	\$ 14,039
RECONCILIATION TO GAAP BASIS:				
Change in payables			30	
Change in accrued liabilities			6	
Fund balance at end of the year (GAAP basis)			\$ 14,075	

STATE OF NEW MEXICO
TOWN OF TATUM

SPECIAL BUILDING FUND - NO. 229
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Miscellaneous	\$ 4,467	\$ 3,667	\$ 1,443	\$ (2,224)
Expenditures:				
Current:				
General government	4,467	3,667	3,538	129
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(2,095)	(2,095)
Fund balance at beginning of the year	-	-	6,815	6,815
Fund balance at end of the year	\$ -	\$ -	4,720	\$ 4,720
RECONCILIATION TO GAAP BASIS:				
Change in payables			126	
Fund balance at end of the year (GAAP basis)			\$ 4,846	

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO

TOWN OF TATUM

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds

Year Ended June 30, 2015

	Balance <u>June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2015</u>
ASSETS				
Cash	\$ 1,001	\$ 501	\$ -	\$ 1,502
Taxes receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pooled cash and investments	<u>\$ 1,001</u>	<u>\$ 501</u>	<u>\$ -</u>	<u>\$ 1,502</u>
LIABILITIES				
Taxes due from others	-	-	-	-
Undistributed taxes	-	-	-	-
Taxes paid in advance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deposits held fro others	<u>1,001</u>	<u>501</u>	<u>-</u>	<u>1,502</u>
Deposits held for others	<u>\$ 1,001</u>	<u>\$ 501</u>	<u>\$ -</u>	<u>\$ 1,502</u>

STATE OF NEW MEXICO
TOWN OF TATUM

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2015

	Western Commerce <u>Bank</u>	Lea County <u>Bank</u>	New Mexico <u>Finance Authority</u>	<u>Total</u>
Cash on deposit at June 30, 2015	\$ 575,545	\$ 144,183	\$ 54	\$ 719,782
Less: FDIC coverage	<u>250,000</u>	<u>144,183</u>	<u>-</u>	<u>394,183</u>
Uninsured funds	<u>\$ 325,545</u>	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 325,599</u>
50% collateral requirement	\$ 162,773	\$ -	\$ 27	\$ 162,800
Pledged collateral	<u>453,581</u>	<u>110,558</u>	<u>54</u>	<u>564,193</u>
Excess (deficiency) of pledged collateral	<u>\$ 290,808</u>	<u>\$ 110,558</u>	<u>\$ 27</u>	<u>\$ 401,393</u>

Pledged collateral of financial institutions consists of the following at June 30, 2015

Western Commerce Bank:	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
FHLMC #420196	11/1/2030		\$ 4,033
GNMA #8004B	7/20/2022		7,546
GNMA #80391	4/20/2030		9,701
FHLMC #IG0083	3/1/2035		28,271
FNMA #770744	4/1/2034		144,192
FHLMC Gold #G02198	5/1/2036		259,838
			<u>\$ 453,581</u>

The above securities are held at Federal Home Bank, Dallas, TX

Lea County State Bank:	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Magdalena MSD 4.375	5/15/2024		<u>\$ 110,558</u>

The above securities are held at The Independent Bankers Bank, Dallas, TX

State of New Mexico:

Detail of pledged collateral specific to the County is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds.

Reconciliation to Financial Statements:

Bank Balances	\$ 575,545	\$ 144,183	\$ 54	\$ 719,782
Reconciling items:				
Deposits in transit	5,677	-	-	5,677
Outstanding checks	<u>(25,972)</u>	<u>-</u>	<u>-</u>	<u>(25,972)</u>
Total per books	<u>\$ 555,250</u>	<u>\$ 144,183</u>	<u>\$ 54</u>	699,487
Cash on hand				<u>-</u>
Total per financial statements				<u>\$ 699,487</u>
Financial Statements				
Cash and cash equivalents				659,466
Restricted cash				1,450
Business-type activities				37,069
Agency cash				<u>1,502</u>
Total per financial statements				<u>\$ 699,487</u>

STATE OF NEW MEXICO
TOWN OF TATUM

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2015

		<u>Bank Balance</u>	<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<u>Western Commerce Bank</u>					
General	Interest	\$ 414,632	\$ 3,467	\$ (9,695)	\$ 408,404
Fire	Interest	8,910	-	(1,259)	7,651
Fire	Interest	-	-	-	-
Correction	Interest	12,735	-	(973)	11,762
EMS	Interest	12,382	-	(903)	11,479
EMS	Interest	74	-	-	74
Law Enforcement	Interest	2	-	-	2
Recreation	Interest	6,118	-	(2,642)	3,476
Recreation	Interest	755	-	-	755
Recreation	Interest	1,450	250	(250)	1,450
Senior Citizen	Interest	15,193	44	(2,866)	12,371
Senior Citizen	Interest	3,243	-	-	3,243
Grant	Interest	11	-	-	11
Special Building	Interest	4,402	433	-	4,835
Cemetery	Interest	14,148	-	(25)	14,123
Joint Utilities	Interest	21,273	1,483	(6,867)	15,889
Joint Utility Deposits	Interest	21,180	-	-	21,180
Agency/Municipal court	Interest	1,502	-	-	1,502
Certificate of deposit	Interest	7,286	-	-	7,286
Certificate of deposit	Interest	30,249	-	-	30,249
<u>Lea County State Bank</u>					
Certificate of deposit	Interest	144,183	-	(492)	143,691
<u>New Mexico Finance Authority:</u>					
Account	Interest	<u>54</u>	<u>-</u>	<u>-</u>	<u>54</u>
Total		<u>\$ 719,782</u>	<u>\$ 5,677</u>	<u>\$ (25,972)</u>	<u>\$ 699,487</u>

STATE OF NEW MEXICO
TOWN OF TATUM

SCHEDULE OF VENDOR INFORMATION
 (Individual Purchases in Exceeding \$60,000, Excluding Gross Receipts Tax)
Year Ended June 30, 2015

Prepared by (Agency Staff Name): Craig Dallas Title: Town of Tatum Clerk/Treasurer Date: November 14, 2015

<u>RFB/RFP #</u>	<u>Type of Procurement</u>	<u>Awarded To</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State / Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
None	FYE 6/30/15							None

THIS PAGE INTENTIONALLY LEFT BLANK

COMPLIANCE SECTION

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

Schedule of Findings and Responses:

Summary of Auditor's Results

Financial Statement Findings

Summary Schedule of Prior Year Audit Findings

Required Disclosure

THIS PAGE INTENTIONALLY LEFT BLANK

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

Tim Keller, State Auditor
Members of the Town of Tatum Councilors

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 funds, of the Town of Tatum as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Tatum's basic financial statements, and the combining and individual funds and related budgetary comparisons of Town of Tatum, presented as supplemental information, and have issued our report thereon dated November 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Town of Tatum'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 Town of Tatum's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tatum's internal control.

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 Town of Tatum's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Findings 2011-005, 2011-009 and 2015-001.

Tim Keller, State Auditor
Members of the Town of Tatum Councilors

Compliance and other matters

As part of obtaining reasonable assurance about whether Town of Tatum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Findings 2011-005, 2011-009, 2014-002, 2015-002, and 2015-003

Town of Tatum's Response to Findings

Town of Tatum responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Town of Tatum'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 Town of Tatum'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.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
November 14, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u>	<u> ✓ </u>	<u> - </u>
Significant Deficiency(ies) identified?	<u> ✓ </u>	<u> </u>	<u> 2 </u>
Noncompliance material to financial statements noted?	<u> </u>	<u> ✓ </u>	<u> - </u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

2011-005 – EXPENDITURES WERE PAID IN EXCESS OF LEGALLY ADOPTED BUDGETED

Other Non-Compliance

(Repeat of prior year finding updated and revised)

Condition: Certain funds had expenditures that were paid in excess of the final adopted budget established for those funds. The following funds over expensed their budgets. The town has continued to have an issue with the budget tracking process

	Final Approved Budget	Actual Expenditures	Excess of Approved Budget
General Fund	\$ 774,907	\$ 817,488	\$ (42,581)
Fire Fund	60,579	73,557	(12,978)
Emergency Medical Services	30,464	31,143	(679)

Criteria: According to NMSA 1978 Section 22.8.11.B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Effect of condition: Violation of NMSA 1978 Section 22.8.11.B. Expenditures were made without the approval of the New Mexico Public Education Department.

Recommendation: Current policies and procedures provide for methods to change original approved budget expenses when necessary. Management should immediately implement and enforce internal controls to insure that no expenditures be charged against an item until proper approval, based on guidelines established by the New Mexico Public Education Department, have been received. When adherence is made to these policies, discipline then becomes established beginning at the requisition level.

Management's response: Tatum and the Clerk/Treasurer takes this very seriously and accepts the finding. We are committed to watch our transfers and each departments expenses closer. Town of Tatum decided not to convert and use Tyler Fund Balance accounting software this year. Tatum spent considerable time in this effort after 11 months of parallel we determined Tyler was not a good fit for us. Tatum with our independent auditors help have determined that Quick Books (QB's) has two additional digits in its account structure allowing us to properly identify assets, liabilities, income and expenses by fund instead of using the class feature in QB's. The Clerk/Treasurer believes this will better help Tatum track expenses and transfers and not go over our adopted budget in 2016. Subsequent to this report the Clerk/Treasurer expects the town to comply with its budget policies and Procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2011-009 – DOCUMENTED ACCOUNTING PROCEDURES

Significant deficiency in internal control

(Repeat of prior year finding updated and revised)

Condition: The Town has not documented its accounting procedures and internal controls into a formal procedure manual. The town has been working on the process to document accounting procedures.

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.

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

Effect of condition: 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.

Management’s response: Tatum accepts this finding. The Clerk/Treasurer’s plan is to review a few local municipalities and add to our draft and adopt accounting policy and procedures that will be a good fit for Tatum, then have the council review and approve (Estimated in January 2016), for our independent auditor’s review for the next audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2014-002 – TIMELY DEPOSIT OF CASH RECEIPTS

Other Non-Compliance

(Repeat of prior year finding updated and revised)

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 thirty transactions which were selected throughout the fiscal year. We noted two instances where the Town does not timely deposit money received. The two receipts were for miscellaneous payments totaled \$11. The Town has worked to insure that all deposits are in the bank in a timely manner.

Criteria: NMAC 6.20.2.14(c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

Cause: Deposits at times were taking more than 24 hours to be deposited in the bank.

Effect of condition: The Town is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud.

Recommendation: We recommend that the Town implement policies and procedures to insure that receipts are deposited within one banking day.

Management's response: We accept this finding. The Clerk/Treasurer recognizes & assures that making timely deposits is required in the accounting policy & procedures and raising the awareness in each department of the 24 hour requirement for deposit of payments received. The procedures will be implemented immediately subsequent to the issuing of the audit report.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2015-001 – TRAVEL REIMBURSEMENT

Significant deficiency in internal control

Condition: In one of the ten transactions tested the Town made a reimbursement in the amount of \$689, which included a reimbursement for a \$7 beverage containing alcohol. The Town has received the funds back for the reimbursement of the beverage.

Criteria: According to NMSA 1978 Section 2.42.2.8 where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.

Cause: Improper monitoring and reimbursement of travel reimbursements.

Effect of condition: Violation of NMAC 1978 Section 2.42.2.8, reimbursing for unallowed expenses

Recommendation: Policies and Procedures should be implemented to insure that the public government does not reimburse for unallowed expenses.

Management's response: We accept this finding; once found by the audit we had the individual reimburse the city for the beverage containing alcohol that was included with the meal. We take this error very seriously because of the appearances and liability concerns. We also mention this at every opportunity in department staff meetings, and for people traveling we remind them before they leave not to charge alcohol with meals. The clerk/treasurer equally accepts responsibility for missing this in the review. We are on the lookout for anything improper on each per diem or travel reimbursement forms to prevent this effective immediately.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2015-002 – INTERFUND RECEIVABLES AND PAYABLES

Other Non-Compliance

Condition: The interfund receivables and payables did not reconcile on the state report by \$2,744. The Town is improving the procedures to insure that each fund is reconciled and correct.

Criteria: Interfund receivables and payables should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMSA 6.10.2 and 6-NMAC-2.2.1.14.11

Cause: The interfund receivables and payable between funds were not reconciled to balance to zero.

Effect of condition: When the interfund receivables and payables the other side of the transaction was either posted as a revenue, or an expense.

Recommendation: The town needs to develop internal controls which requires interfund transactions are always recorded in each fund.

Management's response: Tatum accepts this finding. As mentioned we have discovered that QB's has two more digits as well as 5 digits that we currently use. Thus we can add the department to the account designating the fund versus using the class designation within QB's which does allow reporting to catch and fix the out of balance transfers between funds. The Clerk/Treasurer believes this will better help Tatum track expenses and transfers and not go over our adopted budget in 2016. Subsequent to this report the Clerk/Treasurer expects the town to comply with its budget policies and Procedures.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (cont'd)

2015-003 – BUDGET LINE ITEMS(S) OVER EXPENDED

Other Non-Compliance

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal yearend: The Town is working to improve the budget tracking process.

General Fund	Capital Outlay	\$	43,726
Fire Fund	Public Safety	\$	12,978
Emergency Medical Services	Public Safety	\$	679

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Effect of condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Over expended budget line item could lead to expenditures being paid in excess of the authorized budget.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Councilors and State Department of Finance (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management's response: Tatum accepts this finding. We are committed to watch our detail line items comparison to budget realizing watching the details the summary line items will be handled already. Tatum plans to input the summary approved budget from LGD in detail by department by line item to accomplish the noted comparison to catch overages before they occur. The Clerk/Treasurer believes this will better help Tatum track expenses and transfers and not go over our adopted budget in 2016. Subsequent to this report the Clerk/Treasurer expects the town to comply with its budget policies and Procedures.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

I. NOT RESOLVED

2011-005 – LEGAL COMPLIANCE WITH ADOPTED BUDGET

Current Status: Not resolved. Repeated in the current year.

2011-009 – DOCUMENTED ACCOUNTING PROCEDURES

Current Status: Not resolved. Repeated in the current year.

2014-002 – TIMELY DEPOSIT OF CASH RECEIPTS

Current Status: Not resolved. Repeated in the current year.

II. RESOLVED

2011-002 – ACCOUNTING SYSTEM

Current Status: Resolved. Not repeated in the current year.

2011-004 – FINANCIAL STATEMENTS AND DISCLOSURES

Current Status: Resolved. Not repeated in the current year.

2012-001 – Cash Disbursements

Current Status: Resolved. Not repeated in the current year.

2012-007 – Per Diem and Mileage Act

Current Status: Resolved. Not repeated in the current year.

2014-001 – Stale Checks and Outstanding Deposits

Current Status: Resolved. Not repeated in the current year.

2014-003 – Retiree Health Care Contributions

Current Status: Resolved. Not repeated in the current year.

2014-004 – Lab Fines and Fees Collected and Transmittal of Fees

Current Status: Resolved. Not repeated in the current year.

REQUIRED DISCLOSURES

Year Ended June 30, 2015

The financial statements were prepared by the independent public accountants.

An exit conference was held November 14, 2015, during which the audit findings were discussed. The exit conference was attended by the following individuals:

TOWN OF TATUM

Marilyn J. Burns	Mayor
Craig Dallas	Clerk Treasurer
Mandy Day	Deputy Clerk
Ana Salgado	Assistant Clerk

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
-----------------	---------