

STATE OF NEW MEXICO
TOWN OF TATUM

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2016
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL
SOLUTIONS
CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
TOWN OF TATUM

OFFICIAL ROSTER
June 30, 2016

ELECTED OFFICIALS

Marilyn Burns	Mayor
Leisha Joiner	Councilor
Lori Peppin	Councilor
Guy Payne	Councilor
Curt Stephens	Councilor
John Burns	Muni-Judge

ADMINISTRATIVE OFFICIALS

Craig Dallas, MBA	Clerk-Treasurer
Mandy Day	Deputy Clerk

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FINANCIAL SECTION

FISCAL YEAR 2016

JULY 1, 2015 THROUGH JUNE 30, 2016

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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, 2016, 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, major capital project 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, 2016, 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, 2016, 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, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the major business-type activity funds, major capital project 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

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 October 12, 2016 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
October 12, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF TATUM

STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 327,692	\$ 29,391	\$ 357,083
Receivables:			
Delinquent property taxes receivable	3,136	-	3,136
Grant	221,652	-	221,652
Other receivables	-	35,607	35,607
Intergovernmental	-	526	526
Due from other governments	4,399	-	4,399
Non-current:			
Non-depreciable assets	60,368	8,320	68,688
Depreciable capital assets, net	<u>2,901,165</u>	<u>1,510,098</u>	<u>4,411,263</u>
Total Assets	<u>3,518,412</u>	<u>1,583,942</u>	<u>5,102,354</u>
Liabilities			
Accounts payable	200,145	17,380	217,525
Accrued salaries	16,094	2,964	19,058
Accrued interest	129	-	129
Compensated absences	18,826	9,066	27,892
Customer deposits	-	24,194	24,194
Long-term liabilities other than pensions:			
Due within one year	14,059	-	14,059
Due in more than one year	<u>43,137</u>	<u>-</u>	<u>43,137</u>
Total Liabilities	<u>292,390</u>	<u>53,604</u>	<u>345,994</u>
Net Position			
Net investment in capital assets	2,904,208	1,518,418	4,422,626
Restricted for:			
Special revenue funds	242,914	-	242,914
Capital projects	-	-	-
Unrestricted	<u>78,900</u>	<u>11,920</u>	<u>90,820</u>
Total Net Position	<u>\$ 3,226,022</u>	<u>\$ 1,530,338</u>	<u>\$ 4,756,360</u>

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, 2016

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	\$ 339,019	\$ 174,363	\$ 162,075	\$ 554,950	\$ 552,369		\$ 552,369
Public safety	707,103	2,918	338,045	-	(366,140)		(366,140)
Culture and recreation	131,284	1,089	62,763	-	(67,432)		(67,432)
Health	170,159	-	81,348	-	(88,811)		(88,811)
Bond interest paid	<u>853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(853)</u>		<u>(853)</u>
Total governmental activities	\$ 1,348,418	\$ 178,370	\$ 644,231	\$ 554,950	29,133		29,133
Business-type activities:							
Joint Utility Enterprise	<u>\$ 519,629</u>	<u>\$ 386,201</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(133,428)</u>	<u>(133,428)</u>
General revenues:							
Taxes:							
Property Taxes:							
					29,443	-	29,443
					331,582	-	331,582
					41,612	-	41,612
					250,856	-	250,856
					(42,936)	42,936	-
					13,717	-	13,717
					<u>624,274</u>	<u>42,936</u>	<u>667,210</u>
					<u>653,407</u>	<u>(90,492)</u>	<u>562,915</u>
					2,572,615	1,620,830	4,193,445
					<u>-</u>	<u>-</u>	<u>-</u>
					<u>2,572,615</u>	<u>1,620,830</u>	<u>4,193,445</u>
					<u>\$ 3,226,022</u>	<u>\$ 1,530,338</u>	<u>\$ 4,756,360</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, 2016

	General <u>Fund</u>	Fire <u>Fund #209</u>	Recreation <u>Fund #217</u>
Assets			
Cash and cash equivalents	\$ 78,769	\$ 187,471	\$ 1,540
Receivables:			
Property taxes	3,136	-	-
Grant	30,572	-	13,036
Due from other governments	<u>4,399</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 116,876</u>	<u>\$ 187,471</u>	<u>\$ 14,576</u>
Liabilities, deferred inflows, and fund balance			
Liabilities:			
Accounts payable	\$ 3,849	\$ 1,819	\$ 13,972
Accrued salaries	<u>14,311</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>18,160</u>	<u>1,819</u>	<u>13,972</u>
Deferred inflows of resources:			
Delinquent property taxes	<u>2,129</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted for:			
Special revenue funds	-	185,652	604
Unassigned	<u>96,587</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>96,587</u>	<u>185,652</u>	<u>604</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 116,876</u>	<u>\$ 187,471</u>	<u>\$ 14,576</u>

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STATE OF NEW MEXICO
TOWN OF TATUM

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2016

	CDBG <u>Fund #300</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and cash equivalents	\$ 10	\$ 59,902	\$ 327,692
Receivables:			
Property taxes	-	-	3,136
Grant	178,044	-	221,652
Due from other governments	<u>-</u>	<u>-</u>	<u>4,399</u>
Total assets	<u><u>\$ 178,054</u></u>	<u><u>\$ 59,902</u></u>	<u><u>\$ 556,879</u></u>
Liabilities, deferred inflows, and fund balance			
Liabilities:			
Accounts payable	\$ 179,044	\$ 1,461	\$ 200,145
Accrued salaries	<u>-</u>	<u>1,783</u>	<u>16,094</u>
Total liabilities	<u>179,044</u>	<u>3,244</u>	<u>216,239</u>
Deferred inflows of resources:			
Delinquent property taxes	<u>-</u>	<u>-</u>	<u>2,129</u>
Fund balance:			
Restricted for:			
Special revenue funds	-	56,658	242,914
Unassigned	<u>(990)</u>	<u>-</u>	<u>95,597</u>
Total fund balance	<u>(990)</u>	<u>56,658</u>	<u>338,511</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 178,054</u></u>	<u><u>\$ 59,902</u></u>	<u><u>\$ 556,879</u></u>

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STATE OF NEW MEXICO
TOWN OF TATUM

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

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

Fund balances - total governmental funds	\$	338,511
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		6,504,140
Accumulated depreciation		(3,542,607)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable		2,129
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		(57,196)
Accrued interest payable		(129)
Accrued vacation payable		<u>(18,826)</u>
Net position of governmental activities	\$	<u>3,226,022</u>

STATE OF NEW MEXICO
TOWN OF TATUM

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2016

	General <u>Fund</u>	Fire <u>Fund #209</u>	Recreation <u>Fund #217</u>
Revenues:			
Taxes:			
Property	\$ 28,834	\$ -	\$ -
Gross receipts	331,582	-	-
Gasoline	41,612	-	-
Intergovernmental - federal grants	-	-	-
Intergovernmental - state grants	431,014	132,215	-
Contributions - private grants	58,611	10,810	164,185
Licenses and permits	29,812	-	-
Fines and forfeitures	77,941	-	-
Charges for services	15,886	3,813	4,000
Miscellaneous	<u>3,831</u>	<u>1,166</u>	<u>2,619</u>
Total revenues	<u>1,019,123</u>	<u>148,004</u>	<u>170,804</u>
Expenditures:			
Current:			
General government	271,844	-	-
Public safety	442,708	66,184	-
Culture and recreation	94,031	-	15,575
Health	-	-	-
Capital outlay	472,493	75,840	177,694
Debt service:			
Principal retirement	-	-	-
Bond interest paid	-	-	-
Total expenditures	<u>1,281,076</u>	<u>142,024</u>	<u>193,269</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(261,953)</u>	<u>5,980</u>	<u>(22,465)</u>
Other financing sources and financing uses:			
Transfers in	36,057	431	16,722
Transfers out	<u>(130,414)</u>	-	-
Total other financing sources and financing uses	<u>(94,357)</u>	<u>431</u>	<u>16,722</u>
<i>Net change in fund balance</i>	(356,310)	6,411	(5,743)
Fund balance at beginning of the year	<u>452,897</u>	<u>179,241</u>	<u>6,347</u>
Fund balance (deficit) at end of the year	<u>\$ 96,587</u>	<u>\$ 185,652</u>	<u>\$ 604</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, 2016

	<u>CDBG</u> <u>Fund #300</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Taxes:			
Property	\$ -	\$ -	\$ 28,834
Gross receipts	-	-	331,582
Gasoline	-	-	41,612
Intergovernmental - federal grants	376,906	4,033	380,939
Intergovernmental - state grants	178,044	76,969	818,242
Contributions - private grants	-	17,250	250,856
Licenses and permits	11	-	29,823
Fines and forfeitures	-	36,481	114,422
Charges for services	-	10,437	34,136
Miscellaneous	-	6,090	13,706
Total revenues	<u>554,961</u>	<u>151,260</u>	<u>2,044,152</u>
Expenditures:			
Current:			
General government	-	200	272,044
Public safety	-	58,518	567,410
Culture and recreation	-	-	109,606
Health	-	136,543	136,543
Capital outlay	545,975	2,700	1,274,702
Debt service:			
Principal retirement	-	13,953	13,953
Bond interest paid	-	891	891
Total expenditures	<u>545,975</u>	<u>212,805</u>	<u>2,375,149</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,986</u>	<u>(61,545)</u>	<u>(330,997)</u>
Other financing sources and financing uses:			
Transfers in	-	65,940	119,150
Transfers out	(9,976)	(21,696)	(162,086)
Total other financing sources and financing uses	<u>(9,976)</u>	<u>44,244</u>	<u>(42,936)</u>
<i>Net change in fund balance</i>	(990)	(17,301)	(373,933)
Fund balance at beginning of the year	-	73,959	712,444
Fund balance at end of the year	<u>\$ (990)</u>	<u>\$ 56,658</u>	<u>\$ 338,511</u>

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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, 2016

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

Net change in fund balance - total governmental funds	\$ (373,933)
<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	1,274,702
Depreciation	(266,220)
<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, 2015	(1,520)
June 30, 2016	2,129
<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	13,953
<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, 2015	23,084
June 30, 2016	(18,826)
<p> Accrued interest at:</p>	
June 30, 2015	167
June 30, 2016	(129)
Change in net position of governmental activities	<u>\$ 653,407</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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 29,111	\$ 29,111	\$ 24,660	\$ (4,451)
Gross receipts	555,951	555,951	366,214	(189,737)
Gasoline	39,926	39,926	47,709	7,783
Intergovernmental - state grants	90,000	90,000	431,014	341,014
Contributions - private grants	40,837	40,837	58,611	17,774
Licenses and permits	34,181	34,181	28,679	(5,502)
Fines and forfeitures	85,878	85,878	77,941	(7,937)
Charges for services	14,173	14,173	15,886	1,713
Miscellaneous	<u>10,374</u>	<u>10,374</u>	<u>3,830</u>	<u>(6,544)</u>
Total revenues	<u>900,431</u>	<u>900,431</u>	<u>1,054,544</u>	<u>154,113</u>
Expenditures:				
Current:				
General government	106,209	96,209	281,661	(185,452)
Public safety	489,319	489,319	439,396	49,923
Culture and recreation	83,668	93,668	93,161	507
Capital outlay:				
Equipment	<u>218,380</u>	<u>218,380</u>	<u>472,493</u>	<u>(254,113)</u>
Total expenditures	<u>897,576</u>	<u>897,576</u>	<u>1,286,711</u>	<u>(389,135)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,855</u>	<u>2,855</u>	<u>(232,167)</u>	<u>(235,022)</u>
Other financing sources and financing uses:				
Transfers in	-	-	23,576	23,576
Transfers out	<u>(250,233)</u>	<u>(250,233)</u>	<u>(130,415)</u>	<u>119,818</u>
Total other financing sources and financing uses	<u>(250,233)</u>	<u>(250,233)</u>	<u>(106,839)</u>	<u>143,394</u>
<i>Net change in fund balance</i>	(247,378)	(247,378)	(339,006)	(91,628)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>452,897</u>	<u>452,897</u>
Fund balance at end of the year	<u>\$ (247,378)</u>	<u>\$ (247,378)</u>	113,891	<u>\$ 361,269</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(39,596)	
Change in due from other governments			1,258	
Change in payables			3,523	
Change in accrued liabilities			10,818	
Change in due to other funds			(5,180)	
Change in restatement			12,482	
Change in deferred property taxes			<u>(609)</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 96,587</u>	

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, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 70,089	\$ 70,089	\$ 132,215	\$ 62,126
Contributions - private grants	-	-	10,810	10,810
Charges for services	-	-	3,813	3,813
Miscellaneous	14,294	14,294	1,166	(13,128)
Total revenues	<u>84,383</u>	<u>84,383</u>	<u>148,004</u>	<u>63,621</u>
Expenditures:				
Current:				
Public safety	64,782	64,632	64,365	267
Capital outlay:				
Equipment	-	-	75,840	(75,840)
Total expenditures	<u>64,782</u>	<u>64,632</u>	<u>140,205</u>	<u>(75,573)</u>
<i>Excess of revenues over expenditures</i>	<u>19,601</u>	<u>19,751</u>	<u>7,799</u>	<u>(11,952)</u>
Other financing sources and financing uses:				
Transfers in	-	62,379	232	(62,147)
Transfers out	(125,000)	(75,840)	-	75,840
Total other financing sources and financing uses	<u>(125,000)</u>	<u>(13,461)</u>	<u>232</u>	<u>13,693</u>
<i>Net change in fund balance</i>	(105,399)	6,290	8,031	1,741
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>179,241</u>	<u>179,241</u>
Fund balance at end of the year	<u>\$ (105,399)</u>	<u>\$ 6,290</u>	<u>187,272</u>	<u>\$ 180,982</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			(1,819)	
Change in transfers			199	
Fund balance at end of the year (GAAP basis)			<u>\$ 185,652</u>	

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

STATE OF NEW MEXICO
TOWN OF TATUM

RECREATION FUND - NO. 217
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Contributions - private grants	\$ -	\$ -	\$ 151,150	\$ 151,150
Charges for services	-	-	4,000	4,000
Miscellaneous	<u>2,626</u>	<u>2,626</u>	<u>917</u>	<u>(1,709)</u>
Total revenues	<u>2,626</u>	<u>2,626</u>	<u>156,067</u>	<u>153,441</u>
Expenditures:				
Current:				
Culture and recreation	16,964	16,964	14,639	2,325
Capital outlay:				
Equipment	<u>-</u>	<u>-</u>	<u>177,693</u>	<u>(177,693)</u>
Total expenditures	<u>16,964</u>	<u>16,964</u>	<u>192,332</u>	<u>(175,368)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,338)</u>	<u>(14,338)</u>	<u>(36,265)</u>	<u>(21,927)</u>
Other financing sources and financing uses:				
Transfers in	12,000	187,277	19,087	(168,190)
Transfers out	<u>-</u>	<u>(176,093)</u>	<u>-</u>	<u>176,093</u>
Total other financing sources and financing uses	<u>12,000</u>	<u>11,184</u>	<u>19,087</u>	<u>7,903</u>
<i>Net change in fund balance</i>	(2,338)	(3,154)	(17,178)	(14,024)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>6,347</u>	<u>6,347</u>
Fund balance at end of the year	<u>\$ (2,338)</u>	<u>\$ (3,154)</u>	<u>(10,831)</u>	<u>\$ (7,677)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			13,035	
Change in payables			(936)	
Change in due to other funds			1,700	
Change in transfers			<u>(2,364)</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 604</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, 2016

	Joint Utility Enterprise <u>Fund #501</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 29,391
Receivables:	
Accounts (net of allowance for uncollectible)	35,607
Intergovernmental	<u>526</u>
Total current assets	<u>65,524</u>
Noncurrent assets:	
Land	8,320
Improvements other than buildings	2,079,796
Machinery and equipment	893,074
Less: accumulated depreciation	<u>(1,462,772)</u>
Total noncurrent assets	<u>1,518,418</u>
Total assets	<u>1,583,942</u>
Liabilities	
Current liabilities:	
Accounts payable	17,380
Accrued salaries	2,964
Customer deposits	<u>24,194</u>
Total liabilities	<u>53,604</u>
Net position:	
Net investment in capital assets	1,518,418
Unrestricted	<u>11,920</u>
Total net position	<u>\$ 1,530,338</u>

STATE OF NEW MEXICO

TOWN OF TATUM

PROPRIETARY FUNDS

Statement of Revenues, Expenditures, and Changes in Net Position

Year Ended June 30, 2016

	Joint Utility Enterprise Fund #501
Operating revenues:	
Charges for sales and services:	
Gross receipts tax	\$ 7,791
Intergovernmental funds	1,162
Utilities	<u>377,248</u>
Total operating revenues	<u>386,201</u>
Operating expenses:	
Personal services	84,344
Utilities	36,162
Contractual services	18,541
Repairs and maintenance	8,814
Insurance claims and expenses	60,288
Other operating expenses	210,134
Depreciation	<u>101,346</u>
Total operating expenses	<u>519,629</u>
<i>Operating income (loss)</i>	(133,428)
Transfers in	44,088
Transfers out	<u>(1,152)</u>
<i>Change in net position</i>	(90,492)
Net position at beginning of the year	<u>1,620,830</u>
Net position at end of the year	<u>\$ 1,530,338</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, 2016

Joint Utility
 Enterprise
Fund #501

CASH FLOWS FROM OPERATING

ACTIVITIES

Receipts from customers and users	\$	387,267
Payments to supplies and maintenance		(343,581)
Payments to employees		<u>(81,424)</u>
Net cash used in operating activities		<u>(37,738)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Transfer to other funds		(1,152)
Transfer from other funds		47,900
Payments of taxes		<u>811</u>
Net cash provided (used) by capital and related financing activities		<u>47,559</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Purchases of capital assets		<u>(17,499)</u>
Net increase (decrease) in cash and cash equivalents		(7,678)
Cash and cash equivalents, beginning of year		<u>37,069</u>
Cash and cash equivalents, end of year	\$	<u><u>29,391</u></u>

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED (USED) BY

OPERATING ACTIVITIES

Operating income (loss)	\$	(133,428)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		101,346
(Increase) decrease in assets:		
Accounts receivable		891
Increase (decrease) in liabilities:		
Accounts payable		(9,642)
Accrued liabilities		1,033
Customer deposits		175
Compensated absences payable		<u>1,887</u>
Total adjustments		<u>95,690</u>
Net cash used in operating activities	\$	<u><u>(37,738)</u></u>

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, 2016

ASSETS

Pooled cash and investments	\$ <u>1,602</u>
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LIABILITIES

Deposits held for others	\$ <u>1,602</u>
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The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016.

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, 2016.

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 2016, Town of Tatum adopted the following GASB Statements:

- 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 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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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 non-authoritative 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.

- GASB 79, *Certain External Investment Pools and Pool Participants*, this Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (FYE June 30, 2016), except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

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

- 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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

A. Reporting Entity (cont'd)

- GASB 77, *Tax Abatement Disclosures*, financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

A. Reporting Entity (cont'd)

- GASB 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017). Earlier application is encouraged.

- GASB 81, *Irrevocable Split-Interest Agreements*, The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016 (FYE June 30, 2018), and should be applied retroactively. Earlier application is encouraged.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

A. Reporting Entity (cont'd)

- GASB 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, the objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (FYE June 30, 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017 (FYE June 30, 2018). Earlier application is encouraged.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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 Special Revenue 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).

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

CDBG Capital Projects Fund – To account for funds used to purchase and construct capital improvements.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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, 2016.

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, 2016.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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.

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 Recreation Fund during the year ended June 30, 2016.

	Final Approved <u>Budget</u>	Actual <u>Expenditures</u>	Excess of Approved <u>Budget</u>
General Fund	\$ 897,576	\$ 1,286,711	\$ (389,135)
Emergency Medical Services	28,326	31,088	(2,762)
Fire Fund	64,632	140,205	(75,573)
Recreation	16,964	192,332	(175,368)

C. Deficit Fund Equity

There was a deficit fund balance of \$990 in the Capital Outlay Fund as of June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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	\$ 229,121
Lea County State Bank	175,344
Less agency cash	(1,602)
Less net reconciling items	(45,858)
State agencies:	
New Mexico State Treasurer	78
Total cash and equivalents	\$ 357,083

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, 2016, the carrying amount of the Town's deposits was \$358,685 and the bank balance was \$404,543 with the difference consisting of outstanding checks. Of this balance \$404,543 was covered by federal depository insurance.

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, 2016, none of the Town's bank balance of \$404,543 was exposed to custodial risk as follows:

	Western Commerce Bank	Lea County State Bank	New Mexico Finance Authority	<u>Total</u>
Uninsured and Uncollateralized	\$ -	\$ -	\$ 24	\$ 24
Uninsured and collateral held by pledging bank's trust dept not in the Organization's name	-	-	54	54
Total uninsured	-	-	78	78
Total (FDIC)	229,121	175,344	-	404,465
Total deposits	229,121	175,344	78	404,543
State of New Mexico collateral requirement:				
50% of uninsured public fund bank deposits	\$ -	\$ -	\$ 39	\$ 39
Pledged Security	-	-	78	78
Over collateralization	\$ -	\$ -	\$ 39	\$ 39

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

A. Cash and Temporary Investments (cont'd)

The collateral pledged is listed on Page 71 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, 2016 are as follows:

	Receivables				Due from Other	
	Delinquent Property Taxes	Grant	Accounts Receivable	Uncollectable	Government:	Funds
	Governmental funds:					
Major Funds:						
General Fund	\$ 3,136	\$ 30,572	\$ -	\$ -	\$ 4,399	\$ -
Fire	-	-	-	-	-	-
Recreation	-	13,036	-	-	-	-
CDBG	-	178,044	-	-	-	-
Other Governmental Funds	-	-	31,115	(31,115)	-	-
Business type activities:						
Joint Utilities	-	-	37,180	(1,573)	-	526
Total	<u>\$ 3,136</u>	<u>\$ 221,652</u>	<u>\$ 68,295</u>	<u>\$ (32,688)</u>	<u>\$ 4,399</u>	<u>\$ 526</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

There were not any inter-fund receivables and payables at June 30, 2016:

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

D. Inter-Fund Transfers

The inter-fund transfers during the year ended June 30, 2016 were.

	<u>Transfer out</u>	<u>Transfer in</u>
Governmental funds:		
General Fund	\$ 130,414	\$ 36,057
Fire Fund	-	431
Recreation	-	16,722
CDBG	9,976	-
Other governmental	21,696	65,940
Business type activities:		
Joint Utility	1,152	44,088
Total transfers	<u>\$ 163,238</u>	<u>\$ 163,238</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 60,368	\$ -	\$ -	\$ -	\$ 60,368
Construction in progress	80,855	-	-	(80,855)	-
Total capital assets not being depreciated	141,223	-	-	(80,855)	60,368
Capital assets being depreciated:					
Buildings and improvements	2,564,376	422,837	-	80,855	3,068,068
Infrastructure	570,329	594,279	-	-	1,164,608
Furniture, fixtures, and equipment	1,953,510	257,585	-	-	2,211,095
Total capital assets being depreciated	5,088,215	1,274,701	-	80,855	6,443,771
Less accumulated depreciation for:					
Buildings and improvements	(2,017,040)	(72,774)	-	-	(2,089,814)
Infrastructure	(441,642)	(22,239)	-	-	(463,881)
Furniture, fixtures, and equipment	(817,705)	(171,207)	-	-	(988,912)
Total accumulated depreciation	(3,276,387)	(266,220)	-	-	(3,542,607)
Total capital assets being depreciated, net	1,811,828	1,008,481	-	80,855	2,901,164
Total capital assets, net	<u>\$1,953,051</u>	<u>\$ 1,008,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,961,532</u>

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

Depreciation by fund:	
General	\$ 66,471
Public safety	138,638
Culture and recreation	27,749
Public works	-
Health	33,362
Total	<u>\$ 266,220</u>

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

E. Capital Assets (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,320	\$ -	\$ -	\$ 8,320
Capital assets being depreciated:				
Utility system	2,079,796	-	-	2,079,796
Furniture, fixtures, and equipment	<u>875,575</u>	<u>17,499</u>	<u>-</u>	<u>893,074</u>
Total capital assets being depreciated	<u>2,955,371</u>	<u>17,499</u>	<u>-</u>	<u>2,972,870</u>
Less accumulated depreciation for:				
Utility system	(651,081)	(41,189)	-	(692,270)
Furniture, fixtures, and equipment	<u>(710,345)</u>	<u>(60,157)</u>	<u>-</u>	<u>(770,502)</u>
Total accumulated depreciation	<u>(1,361,426)</u>	<u>(101,346)</u>	<u>-</u>	<u>(1,462,772)</u>
Total capital assets being depreciated, net	<u>1,593,945</u>	<u>(83,847)</u>	<u>-</u>	<u>1,510,098</u>
Total capital assets, net	<u>\$ 1,602,265</u>	<u>\$ (83,847)</u>	<u>\$ -</u>	<u>\$ 1,518,418</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	<u>\$ 98,166</u>	1.237%	<u>\$ 57,196</u>	<u>\$ 14,059</u>

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

General Obligation Bonds			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
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>\$ 57,196</u>	<u>\$ 2,177</u>	<u>\$ 59,373</u>

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 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	\$ 21,052	\$ 31,340	\$ 33,566	\$ 18,826	\$ 18,826
Business type activities	<u>7,179</u>	<u>10,722</u>	<u>8,835</u>	<u>9,066</u>	<u>9,066</u>
Total Compensated absences	28,231	42,062	42,401	27,892	27,892
Revenue notes payable	<u>71,149</u>	<u>-</u>	<u>13,953</u>	<u>57,196</u>	<u>14,059</u>
	<u>\$ 99,380</u>	<u>\$ 42,062</u>	<u>\$ 56,354</u>	<u>\$ 85,088</u>	<u>\$ 41,951</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. 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, 2016 was \$6,689.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2015, 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, 2016

V. OTHER INFORMATION (cont'd)

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

The Town's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2013 were \$11,549, \$11,204, and \$10,695, 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. Subsequent Events

Subsequent events were evaluated through October 12, 2016, which is the date the financial statements were available to be issued.

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MAJOR CAPITAL OUTLAY FUND

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STATE OF NEW MEXICO

TOWN OF TATUM

CDBG FUND - NO. 300

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 377,767	\$ 377,767	\$ 376,906	\$ (861)
Intergovernmental - state grants	237,611	222,611	-	(222,611)
Contributions - private grants	722,235	722,235	-	(722,235)
Licenses and permits	-	-	11	11
Total revenues	<u>1,337,613</u>	<u>1,322,613</u>	376,917	(945,696)
Expenditures:				
Capital outlay:				
Equipment	<u>1,714,200</u>	<u>1,714,200</u>	<u>545,975</u>	<u>1,168,225</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(376,587)</u>	<u>(391,587)</u>	<u>(169,058)</u>	<u>222,529</u>
Other financing sources and financing uses:				
Transfers in	376,587	760,625	-	(760,625)
Transfers out	-	(369,038)	(9,976)	359,062
Total other financing sources and financing uses	<u>376,587</u>	<u>391,587</u>	<u>(9,976)</u>	<u>(401,563)</u>
<i>Net change in fund balance</i>	-	-	(179,034)	(179,034)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	(179,034)	<u>\$ (179,034)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>178,044</u>	
Fund balance (deficit) at end of the year (GAAP basis)			<u>\$ (990)</u>	

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MAJOR PROPRIETARY FUND

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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Gross receipts tax	\$ 13,008	\$ 13,008	\$ 8,602	\$ (4,406)
Charges for sales and services:	508,954	508,954	367,029	(141,925)
Intergovernmental funds	<u>-</u>	<u>-</u>	<u>12,448</u>	<u>12,448</u>
Total operating revenues	<u>521,962</u>	<u>521,962</u>	<u>388,079</u>	<u>(133,883)</u>
Operating expenses:				
Personal services	458,581	458,581	108,446	350,135
Utilities	-	-	18,782	(18,782)
Contractual services	-	-	18,541	(18,541)
Repairs and maintenance	-	-	8,814	(8,814)
Insurance claims and expenses	-	-	60,288	(60,288)
Other operating expenses	<u>-</u>	<u>-</u>	<u>210,134</u>	<u>(210,134)</u>
Total operating expenses	<u>458,581</u>	<u>458,581</u>	<u>425,005</u>	<u>33,576</u>
<i>Operating income (loss)</i>	63,381	63,381	(36,926)	(167,459)
Nonoperating revenues (expenses):				
Capital outlay	<u>-</u>	<u>-</u>	<u>(17,499)</u>	<u>-</u>
<i>Income (loss) before contributions and transfers</i>	63,381	63,381	(54,425)	(167,459)
Transfers in	163,000	47,900	47,900	-
Transfers out	<u>(226,354)</u>	<u>(18,651)</u>	<u>(1,152)</u>	<u>-</u>
<i>Change in net position</i>	27	92,630	(7,677)	(167,459)
<i>Beginning cash balance budgeted</i>	-	-	-	-
Net position at beginning of the year	-	-	1,620,830	1,620,830
Net position at end of the year	<u>\$ 27</u>	<u>\$ 92,630</u>	1,613,153	<u>\$ 3,074,201</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			(5,689)	
Change in depreciation			(83,847)	
Change in payables			9,642	
Change in accrued liabilities			<u>(2,921)</u>	
Net position at end of the year (GAAP basis)			<u>\$ 1,530,338</u>	

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NONMAJOR GOVERNMENTAL FUNDS

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NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

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

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.

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, 2016

	Special Revenue Funds			
	Corrections Fund #201	Emergency Medical Services Fund #206	Law Protection Fund #211	Senior Center Fund #219
Assets				
Cash and cash equivalents	\$ 14,473	\$ 8,510	\$ 424	\$ 15,720
Liabilities and fund balance				
Liabilities:				
Accounts payable	\$ 192	\$ 916	\$ -	\$ 333
Accrued salaries	-	-	-	1,783
Total liabilities	192	916	-	2,116
Fund balance:				
Restricted for:				
Special revenue funds	14,281	7,594	424	13,604
Total liabilities and fund balance	\$ 14,473	\$ 8,510	\$ 424	\$ 15,720

(cont'd; 1 of 2)

STATE OF NEW MEXICO
TOWN OF TATUM

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cemetary Fund #221	Special Building Fund #299	
Assets			
Cash and cash equivalents	\$ 10,629	\$ 10,146	\$ 59,902
 Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 20	\$ -	\$ 1,461
Accrued salaries	-	-	1,783
Total liabilities	20	-	3,244
 Fund balance:			
Restricted for:			
Special revenue funds	10,609	10,146	56,658
Total liabilities and fund balance	\$ 10,629	\$ 10,146	\$ 59,902

(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, 2016

	Special Revenue Funds			
	Corrections Fund #201	Emergency Medical Services Fund #206	Law Protection Fund #211	Senior Center Fund #219
Revenues:				
Intergovernmental - federal grants	\$ -	\$ -	\$ -	\$ 4,033
Intergovernmental - state grants	-	7,000	21,800	48,169
Contributions - private grants	-	8,625	-	8,625
Fines and forfeitures	36,481	-	-	-
Charges for services	1,089	2,918	-	-
Miscellaneous	-	-	24	6,064
Total revenues	37,570	18,543	21,824	66,891
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	22,602	29,304	6,612	-
Health	-	-	-	132,097
Capital outlay	-	2,700	-	-
Debt service:				
Principal retirement	-	-	13,953	-
Bond interest paid	-	-	891	-
Total expenditures	22,602	32,004	21,456	132,097
<i>Excess (deficiency) of revenues over expenditures</i>	14,968	(13,461)	368	(65,206)
Other financing sources and financing uses:				
Transfers in	-	574	-	65,318
Transfers out	(21,696)	-	-	-
Total other financing sources and financing uses	(21,696)	574	-	65,318
<i>Net change in fund balance</i>	(6,728)	(12,887)	368	112
Fund balance at beginning of the year	21,009	20,481	56	13,492
Fund balance at end of the year	\$ 14,281	\$ 7,594	\$ 424	\$ 13,604

(cont'd; 1 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, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Cemetary Fund #221	Special Building Fund #299	
Revenues:			
Intergovernmental - federal grants	\$ -	\$ -	\$ 4,033
Intergovernmental - state grants	-	-	76,969
Contributions - private grants	-	-	17,250
Fines and forfeitures	-	-	36,481
Charges for services	930	5,500	10,437
Miscellaneous	<u>2</u>	-	<u>6,090</u>
Total revenues	<u>932</u>	<u>5,500</u>	<u>151,260</u>
Expenditures:			
Current:			
General government	-	200	200
Public safety	-	-	58,518
Health	4,446	-	136,543
Capital outlay	-	-	2,700
Debt service:			
Principal retirement	-	-	13,953
Bond interest paid	<u>-</u>	<u>-</u>	<u>891</u>
Total expenditures	<u>4,446</u>	<u>200</u>	<u>212,805</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,514)</u>	<u>5,300</u>	<u>(61,545)</u>
Other financing sources and financing uses:			
Transfers in	48	-	65,940
Transfers out	<u>-</u>	<u>-</u>	<u>(21,696)</u>
Total other financing sources and financing uses	<u>48</u>	<u>-</u>	<u>44,244</u>
<i>Net change in fund balance</i>	(3,466)	5,300	(17,301)
Fund balance at beginning of the year	<u>14,075</u>	<u>4,846</u>	<u>73,959</u>
Fund balance at end of the year	<u>\$ 10,609</u>	<u>\$ 10,146</u>	<u>\$ 56,658</u>

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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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 17,793	\$ 32,793	\$ 36,481	\$ 3,688
Charges for services	-	-	1,089	1,089
Miscellaneous	4,719	4,719	-	(4,719)
Total revenues	22,512	37,512	37,570	58
Expenditures:				
Current:				
Public safety	24,784	24,784	22,410	2,374
<i>Excess (deficiency) of revenues over expenditures</i>	(2,272)	12,728	15,160	2,432
Other financing uses:				
Transfers out	-	(12,488)	(12,448)	40
<i>Net change in fund balance</i>	(2,272)	240	2,712	2,472
Fund balance at beginning of the year	-	-	21,009	21,009
Fund balance at end of the year	\$ (2,272)	\$ 240	23,721	\$ 23,481
RECONCILIATION TO GAAP BASIS:				
Change in payables			(192)	
Change in transfers			(9,248)	
Fund balance at end of the year (GAAP basis)			\$ 14,281	

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 7,200	\$ 7,200	\$ 7,000	\$ (200)
Contributions - private grants	-	-	8,625	8,625
Charges for services	20,802	20,802	2,918	(17,884)
Total revenues	28,002	28,002	18,543	(9,459)
Expenditures:				
Current:				
Public safety	28,176	28,326	28,388	(62)
Capital outlay:				
Equipment	-	-	2,700	(2,700)
Total expenditures	28,176	28,326	31,088	(2,762)
<i>Excess (deficiency) of revenues over expenditures</i>	(174)	(324)	(12,545)	(12,221)
Other financing uses:				
Transfers out	-	(2,700)	-	2,700
<i>Net change in fund balance</i>	(174)	(3,024)	(12,545)	(9,521)
Fund balance at beginning of the year	-	-	20,481	20,481
Fund balance at end of the year	\$ (174)	\$ (3,024)	7,936	\$ 10,960
RECONCILIATION TO GAAP BASIS:				
Change in payables			(916)	
Change in transfers			574	
Fund balance at end of the year (GAAP basis)			\$ 7,594	

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 21,800	\$ 21,800	\$ 6,957	\$ (14,843)
Expenditures:				
Current:				
Public safety	6,956	6,956	6,613	343
Debt service:				
Principal retirement	14,844	14,844	-	14,844
Total expenditures	21,800	21,800	6,613	15,187
<i>Excess of revenues over expenditures</i>	-	-	344	344
Fund balance at beginning of the year	-	-	56	56
Fund balance at end of the year	\$ -	\$ -	400	\$ 400
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			24	
Fund balance at end of the year (GAAP basis)			\$ 424	

STATE OF NEW MEXICO
TOWN OF TATUM

SENIOR CENTER FUND - NO. 219
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 4,903	\$ 4,903	\$ 4,033	\$ (870)
Intergovernmental - state grants	52,580	52,580	48,169	(4,411)
Contributions - private grants	-	-	8,625	8,625
Miscellaneous	<u>17,588</u>	<u>17,588</u>	<u>6,065</u>	<u>(11,523)</u>
Total revenues	75,071	75,071	66,892	(8,179)
Expenditures:				
Current:				
Health	<u>132,877</u>	<u>132,877</u>	<u>129,982</u>	<u>2,895</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(57,806)</u>	<u>(57,806)</u>	<u>(63,090)</u>	<u>(5,284)</u>
Other financing sources and financing uses:				
Transfers in	68,000	68,000	63,196	(4,804)
Transfers out	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>	<u>18,000</u>
Total other financing sources and financing uses	<u>50,000</u>	<u>50,000</u>	<u>63,196</u>	<u>13,196</u>
<i>Net change in fund balance</i>	(7,806)	(7,806)	106	7,912
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>13,492</u>	<u>13,492</u>
Fund balance at end of the year	<u>\$ (7,806)</u>	<u>\$ (7,806)</u>	13,598	<u>\$ 21,404</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			(2,115)	
Change in transfers			<u>2,121</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 13,604</u>	

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, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 930	\$ (9,070)
Miscellaneous	-	-	2	2
Total revenues	10,000	10,000	932	(9,068)
Expenditures:				
Current:				
Health	6,161	6,161	4,426	1,735
<i>Excess (deficiency) of revenues over expenditures</i>	3,839	3,839	(3,494)	(7,333)
Fund balance at beginning of the year	-	-	14,075	14,075
Fund balance at end of the year	\$ 3,839	\$ 3,839	10,581	\$ 6,742
RECONCILIATION TO GAAP BASIS:				
Change in payables			(20)	
Change in transfers			48	
Fund balance at end of the year (GAAP basis)			\$ 10,609	

STATE OF NEW MEXICO
TOWN OF TATUM

SPECIAL BUILDING FUND - NO. 299
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ 6,000	\$ 6,000	\$ 5,500	\$ (500)
Expenditures:				
Current:				
General government	4,296	4,296	200	4,096
<i>Excess of revenues over expenditures</i>	1,704	1,704	5,300	3,596
Fund balance at beginning of the year	-	-	4,846	4,846
Fund balance at end of the year	\$ 1,704	\$ 1,704	10,146	\$ 8,442
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			\$ 10,146	

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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, 2016**

	Balance <u>June 30, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2016</u>
ASSETS				
Pooled cash and investments	<u>\$ 1,502</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,602</u>
LIABILITIES				
Deposits held for others	<u>\$ 1,502</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,602</u>

STATE OF NEW MEXICO
TOWN OF TATUM

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

	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, 2016	\$ 229,121	\$ 175,344	\$ 78	\$ 404,543
Less: FDIC coverage	<u>229,121</u>	<u>175,344</u>	-	<u>404,465</u>
Uninsured funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ 78</u>
50% collateral requirement	\$ -	\$ -	\$ 39	\$ 39
Pledged collateral	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>
Excess (deficiency) of pledged collateral	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pledged collateral of financial institutions consists of the following at June 30, 2016

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	\$ 229,121	\$ 175,344	\$ 78	\$ 404,543
Reconciling items:				
Deposits in transit	1,842	-	-	1,842
Outstanding checks	<u>(18,668)</u>	<u>(31,812)</u>	-	<u>(50,480)</u>
Total per books	<u>\$ 212,295</u>	<u>\$ 143,532</u>	<u>\$ 78</u>	355,905
Cash on hand				-
Unreconciled amounts				<u>2,780</u>
Total per financial statements				<u>\$ 358,685</u>
Financial Statements				
Cash and cash equivalents				327,692
Restricted cash				-
Business-type activities				29,391
Agency cash				<u>1,602</u>
Total per financial statements				<u>\$ 358,685</u>

STATE OF NEW MEXICO
TOWN OF TATUM

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

		<u>Bank Balance</u>	Outstanding <u>Deposits</u>	Outstanding <u>Checks</u>	<u>Book Balance</u>
<u>Western Commerce Bank</u>					
Operational	Interest	\$ 89,621	\$ 70	\$ (13,702)	\$ 75,989
Detention	Interest	15,227	-	(754)	14,473
Ambulance	Interest	8,590	-	(90)	8,500
Ambulance	Interest	471	-	(461)	10
Fire Fund	Interest	43,938	-	-	43,938
Fire Fund	Interest	-	-	-	-
Law Enforcement	Interest	346	-	-	346
Municipal Courts	Interest	1,502	-	-	1,502
Recreation Checking	Interest	1,368	1,600	(1,428)	1,540
Senior Checking	Interest	12,572	47	(169)	12,450
Senior Advisory	Interest	3,289	-	(19)	3,270
Special Building	Interest	10,146	-	-	10,146
Municipal Utility	Interest	10,131	125	(2,045)	8,211
Water Meter Deposits	Interest	21,180	-	-	21,180
CDBG Funds	Interest	11	-	-	11
Cemetery	Interest	10,629	-	-	10,629
MVD	Interest	100	-	-	100
NMFA Stmt	Interest	-	-	-	-
Certificate of deposit	Interest	-	-	-	-
Certificate of deposit	Interest	-	-	-	-
<u>Lea County State Bank</u>					
Certificate of deposit	Interest	175,344	-	(31,812)	143,532
<u>New Mexico Finance Authority:</u>					
Account	Interest	78	-	-	78
Total		<u>\$ 404,543</u>	<u>\$ 1,842</u>	<u>\$ (50,480)</u>	<u>\$ 355,905</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, 2016

Prepared by (Agency Staff Name): Craig Dallas Title: Town of Tatum Clerk/Treasurer Date: August 31, 2016

<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</u>	<u>Scope of Work</u>
	NM Cooperative Edu Services-CES	HB Construction	\$ 391,021	\$ 391,021	Albq, NM	Yes	Yes	Imp to Sen Center Building
	NM Cooperative Edu Serv	Constructor's, Inc	\$ 173,366	\$ 173,366	Carlsbad, NM	Yes	Yes	Improve 8 Blocks around Pub School
	NM Cooperative Edu Serv	Ramirez & Sons, Inc	\$ 164,179	\$ 164,179	Hobbs, NM	Yes	Yes	Improve 8 Blocks around Pub School
	NM Cooperative Edu Serv	KirkMeyer Elec	\$ 94,816	\$ 94,816	Hobbs, NM	Yes	Yes	Local Grants to Improve BaseBall Fld
	NM State Wide Cntr	SPA#50-80 Dismuke Construction	\$ 79,044	\$ 79,044	Albq, NM	Yes	Yes	Imp Tatum Airport RunWay 1230
	Houston Galveston Area Coum	Southwest Ambulance Service	\$ 178,045	\$ 178,045	Kennedale, TX	Yes to NMDF	Yes to NMDF	Yes to NMDF/ 2016 Ford 450 Gas Chassy Ambular

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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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2016, 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 October 12, 2016.

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 2011-009 and 2016-001.

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, 2014-002, 2015-003 and 2016-002

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
October 12, 2016

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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 RESPONSES

YEAR ENDED JUNE 30, 2016

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 <u>Budget</u>	Actual <u>Expenditures</u>	Excess of Approved <u>Budget</u>
General Fund	\$ 897,576	\$ 1,286,711	\$ (389,135)
Emergency Medical Services	28,326	31,088	(2,762)
Fire Fund	64,632	140,205	(75,573)
Recreation	16,964	192,332	(175,368)

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 Department of Finance.

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 Department of Finance, have been received. When adherence is made to these policies, discipline then becomes established beginning at the requisition level.

Management's response: Town of Tatum accepts this finding. We are concerned that although we budgeted transfers between the funds and attempted to support them in the audit we were unable to make them apparent. Quick Book's class documentation does not help us with this, but we now know and will attempt to reduce any transfers between funds. When one of our (funds that is not required by law) is spent down to zero; instead of transferring money from the General fund the fund will be closed and the department will be added as a class under the general fund. Tatum also will no longer utilize the capital outlay page on the quarterly reporting excel worksheet all capital outlays will be tracked in the fund that the grant money is received in and will no longer be transferred. We appreciate our auditor explaining this issue to Tatum.

Auditors rebuttal: Management's response did not provide a timeline for the corrective action plan or the position that will be responsible for the deadlines of the timelines.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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: Town of Tatum accepts this finding. The clerk/treasurer has been unable to find another municipality that has written comprehensive accounting policy and procedures. So the clerk/treasurer will document Tatum’s policies, procedures, and controls then have these procedures reviewed and approved by the City Councilors. The clerk and the mayor understand the importance of this finding and take it very seriously. This plan will be accomplished before March 2017

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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 twelve instances where the Town does not timely deposit money received. The two receipts were for miscellaneous payments totaled \$433.. 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: Town of Tatum accepts this finding. The clerk/treasurer and the deputy clerk recognize that we need to make deposits daily for all previous day receipts after 2:00 pm when the local branch bank closes. Our objective is to get this finding removed for the 2017 audit.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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	General government	\$ 185,452
General Fund	Capital outlay	\$ 135,022
Emergency Medical Services	Public safety	\$ 62
Emergency Medical Services	Capital outlay	\$ 2,700
Fire Fund	Capital outlay	\$ 75,840
Recreation	Capital outlay	\$ 177,693

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: Town of Tatum accepts this finding. The mayor and the council is very concerned about this finding and is committed to watch the overages in detail each quarter and make spending adjustments accordingly. As mentioned in management response finding 2011-005 Expenditures Paid in Excess of Legal Adopted Budget we are no longer going to transfer from one fund to another fund on the capital items, thus making individual line items easier to track and document. Also, Tatum is very committed to close all non-necessary funds that legally do not need to be maintained using the Classes in Quick Book's to account for individual departments included in the general fund.

Auditors rebuttal: Management's response did not provide a timeline for the corrective action plan or the position that will be responsible for the deadlines of the timelines.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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

2016-001 – CASH NOT RECONCILED

Significant deficiency in internal control

Condition: In the fund reconciliation there is a bank account for each fund. The beginning cash plus current year revenue less current year expenditures did not tie to the ending cash. Also, two funds had items that cleared the bank, but were posted on the general ledger after the year end. The cash was not reconciled to the general ledger by fund

Fund	Beginning Cash Balance	Revenue and transfers in	Expenditures and transfers out	Calculated Ending Cash Balance	Trial Balance Ending Cash Balance	Difference
General Fund	412,815	1,077,383	1,417,126	73,072	78,769	5,697
Ambulance	11,545	20,979	24,167	8,357	8,500	143
Ambulance	74	7,000	6,856	218	(208)	(426)
Cemetery	14,124	930	4,426	10,628	10,629	1
Fire County	35,749	14,632	7,560	42,821	43,938	1,117
Law Enforcement	2	6,957	6,161	798	346	(452)
Utility	15,889	432,983	440,454	8,418	8,211	(207)
Senior Citizens	12,381	128,922	129,819	11,484	12,450	966
Water Deposits	21,180	2,995	-	24,175	21,180	(2,995)
GFI MVD	-	-	-	-	100	100

Criteria: Bank statements 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 Town is not in compliance with 1978 NMSA 6-10-2 and is lacking a significant control over cash which is a violation of 1978 NMSA 6-10-2 and 6-NMAC-2.2.1.14.11.

Effect of condition: Violation of NMAC 1978 Section 2.42.2.8, and the town reporting to The Department of Finance is inaccurate to the amount actually spent in each fund

Recommendation: Policies and Procedures should be implemented to insure that the public government records the revenue and expenditures in the correct fund and the reports to the Department of Finance are accurate to the fund spending the funds or receiving the funds.

Management's response: Tatum accepts this finding. We failed to take the time to identify each of 10 funds that had reconciliation discrepancies. We feel that they are transfer related and we will identify these even after the audit is completed so that these same differences will not occur in the next audit. The clerk/treasurer will work directly with the auditor to identify and support these items.

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

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

2016-002 – INCOMPLETE I-9'S

Other Non-Compliance

Condition: Seven out of twelve employee files selected for testing had missing or incomplete I-9 forms.

Criteria: In accordance with the federal Immigration and Nationality Act Section 274A, employees are required to prove their citizenship or legal immigrant status prior to employment.

Cause: The Town did not complete the form as required by the Federal Immigration and Act.

Effect of condition: The Town is out of compliance with requirements for the Immigration and Nationality Act.

Recommendation: Management should implement immediate steps to ensure that every employee has a completed and accurate I-9 form.

Management's response: Tatum accepts the finding on incomplete or inaccurate I-9's. We will identify the I-9's in the findings of the Auditor and the employer and employee will correct or complete a new I-9 as necessary. We are thankful that this oversight has been pointed out by the Auditor and we will get it resolved and send the Auditor feedback that the I-9's items have been resolved.

Auditors rebuttal: Management's response did not provide a timeline for the corrective action plan or the position that will be responsible for the deadlines of the timelines.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

I. NOT RESOLVED

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

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

2011-009 – DOCUMENTED ACCOUNTING PROCEDURES

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

2015-002 – TIMELY DEPOSIT OF CASH RECEIPTS

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

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

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

II. RESOLVED

2015-001 – TRAVEL REIMBURSEMENT

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

2015-002 – INTERFUND RECEIVABLES AND PAYABLES

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

REQUIRED DISCLOSURES

Year Ended June 30, 2016

The financial statements were prepared by the independent public accountants.

An exit conference was held October 12, 2016, 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
Ana Salgado	Assistant Clerk

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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