

**STATE OF NEW MEXICO  
TOWN OF TATUM  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
JUNE 30, 2018**

## **INTRODUCTORY SECTION**

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TOWN OF TATUM  
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JUNE 30, 2018**

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TOWN OF TATUM  
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**STATE OF NEW MEXICO  
TOWN OF TATUM  
OFFICIAL ROSTER  
JUNE 30, 2018**

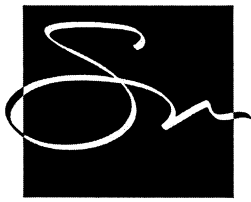
**TOWN COUNCIL**

<b>Name</b>	<b>Title</b>
Marilyn Burns	Mayor
Arnold Ramirez	Councilor
Paul Ramirez	Councilor
Curt Stephens	Councilor
Guy Payne	Councilor

**TOWN OFFICIAL**

<b>Name</b>	<b>Title</b>
Lynn Stevens	Town Clerk/Treasurer
Mandy Day	Deputy Clerk
John Burns	Municipal Judge

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor, and  
Honorable Mayor and Councilors of  
Town of Tatum  
Tatum, New Mexico

### 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, enterprise funds, and major special revenue funds of the Town of Tatum, New Mexico as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the General Fund and major special revenue funds of the Town of Tatum, New Mexico as of June 30, 2018, and, the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the schedule of the Town's proportionate share of the OPEB liability and the schedule of the Town's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

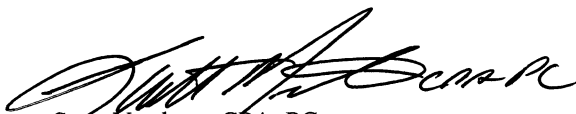
Management has elected to omit the MD&A for the year ended June 30, 2018, which is required to be presented to supplement the basic financial statements by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting. Our opinion on the basic financial statements is not affected by this omitted information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements, and the budgetary comparisons. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
November 13, 2018



**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 372,804	\$ 34,611	\$ 407,415
NMFA Cash Deposits	247	-	247
Accounts Receivable, Net	-	35,796	35,796
Taxes Receivable			
Gross Receipts	54,737	1,255	55,992
Property	1,695	-	1,695
Franchise	3,414		3,414
Gasoline	4,057	-	4,057
	<u>436,954</u>	<u>71,662</u>	<u>508,616</u>
<b>Total Current Assets</b>			
<b>NONCURRENT ASSETS</b>			
Restricted Cash and Cash Equivalents	-	21,180	21,180
Capital Assets, Net	2,699,215	1,387,448	4,086,663
	<u>2,699,215</u>	<u>1,408,628</u>	<u>4,107,843</u>
<b>Total Noncurrent Assets</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Post Measurement Date Employer Contributions	10,037	-	10,037
	<u>10,037</u>	<u>-</u>	<u>10,037</u>
<b>Total Deferred Outflows of Resources</b>			
	<u>10,037</u>	<u>-</u>	<u>10,037</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 3,146,206</u>	<u>\$ 1,480,290</u>	<u>\$ 4,626,496</u>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 23,350	\$ 21,223	\$ 44,573
Accrued Payroll Liabilities	2,908	-	2,908
Accrued Payroll	22,260	4,027	26,287
Accrued Interest	-	-	-
Accrued Vacation	18,741	1,496	20,237
Current Portion of Long-Term Debt	<u>45,221</u>	<u>-</u>	<u>45,221</u>
<b>Total Current Liabilities</b>	<u>112,480</u>	<u>26,746</u>	<u>139,226</u>
<b>NONCURRENT LIABILITIES</b>			
Customer Deposits	-	26,461	26,461
Net OPEB Liability	363,440	-	363,440
Long-Term Debt, Net of Current Portion	<u>79,372</u>	<u>-</u>	<u>79,372</u>
<b>Total Noncurrent Liabilities</b>	<u>442,812</u>	<u>26,461</u>	<u>469,273</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Net OPEB Liability Deferred Inflows	<u>82,718</u>	<u>-</u>	<u>82,718</u>
<b>Total Deferred Inflows of Resources</b>	<u>82,718</u>	<u>-</u>	<u>82,718</u>
<b>Total Liabilities and Deferred Inflows</b>	<u>638,010</u>	<u>53,207</u>	<u>691,217</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,574,622	1,387,448	3,962,070
Restricted for:			
Special Revenue Funds	51,241	-	51,241
Capital Projects	11		
Unrestricted	<u>(117,667)</u>	<u>39,635</u>	<u>(78,032)</u>
<b>Total Net Position</b>	<u>2,508,196</u>	<u>1,427,083</u>	<u>3,935,279</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 3,146,206</u>	<u>\$ 1,480,290</u>	<u>\$ 4,626,496</u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<i>Primary Government</i>				
<b>Governmental Activities:</b>				
General Administration	\$ 215,074	\$ 5,934	\$ 120,139	\$ -
Culture and Recreation	99,452	6,694	-	-
Senior Center	85,503	-	75,212	26,285
Health and Welfare	25,152	3,334	18,612	-
Public Safety	468,212	-	115,081	-
Judicial	21,832	194,481	-	-
Interest and Administrative Fees	547	-	-	-
Depreciation	355,725	-	-	-
	<u>1,271,497</u>	<u>210,443</u>	<u>329,044</u>	<u>26,285</u>
<i>Total Governmental Activities</i>				
<b>Business-Type Activities:</b>				
Joint Utility Fund	500,373	392,860	-	-
	<u>500,373</u>	<u>392,860</u>	<u>-</u>	<u>-</u>
<i>Total Business-Type Activities</i>				
<b>Total - Primary Government</b>	<u>\$ 1,771,870</u>	<u>\$ 603,303</u>	<u>\$ 329,044</u>	<u>\$ 26,285</u>

**General Revenues**

Taxes:

Gross Receipts  
Franchise  
Property  
Motor Vehicle  
Gasoline

Miscellaneous

Interest

**Total General Revenues**

Change in Net Position

**Net Position Beginning of Year - Originally Reported**

**Prior Period Adjustment**

**Net Position Beginning of Year - As Adjusted**

**Net Position End of Year**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (89,001)	\$ -	\$ (89,001)
(92,758)	-	(92,758)
15,994	-	15,994
(3,206)	-	(3,206)
(353,131)	-	(353,131)
172,649	-	172,649
(547)	-	(547)
<u>(355,725)</u>	<u>-</u>	<u>(355,725)</u>
<u>(705,725)</u>	<u>-</u>	<u>(705,725)</u>
-	(107,513)	(107,513)
-	(107,513)	(107,513)
<u>(705,725)</u>	<u>(107,513)</u>	<u>(813,238)</u>
425,143	9,296	434,439
28,234	-	28,234
26,166	-	26,166
27,477	-	27,477
54,280	-	54,280
20,538	23,433	43,971
121	-	121
<u>581,959</u>	<u>32,729</u>	<u>614,688</u>
<u>(123,766)</u>	<u>(74,784)</u>	<u>(198,550)</u>
3,063,668	1,501,867	4,565,535
<u>(431,706)</u>	<u>-</u>	<u>(431,706)</u>
<u>2,631,962</u>	<u>1,501,867</u>	<u>4,133,829</u>
<u>\$ 2,508,196</u>	<u>\$ 1,427,083</u>	<u>\$ 3,935,279</u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 306,424	\$ 62,082	\$ 4,298	\$ 372,804
NMFA Cash Deposits	-	-	247	247
Taxes Receivable:				
Gross Receipts	54,737	-	-	54,737
Property	1,695	-	-	1,695
Franchise	3,414	-	-	3,414
Gasoline	4,057	-	-	4,057
<b>TOTAL ASSETS</b>	<b><u>\$ 370,327</u></b>	<b><u>\$ 62,082</u></b>	<b><u>\$ 4,545</u></b>	<b><u>\$ 436,954</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,175	\$ 13,851	\$ 1,324	\$ 23,350
Accrued Payroll Liabilities	2,908	-	-	2,908
Accrued Salaries	22,060	100	100	22,260
<b>Total Liabilities</b>	<b><u>33,143</u></b>	<b><u>13,951</u></b>	<b><u>1,424</u></b>	<b><u>48,518</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	1,695	-	-	1,695
<b>Total Deferred Inflows of Resources</b>	<b><u>1,695</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,695</u></b>
 <b>FUND BALANCES</b>				
Restricted for:				
Fire Protection	-	48,131	-	48,131
Capital Projects	-	-	11	11
Emergency Services	-	-	2,649	2,649
Public Safety	-	-	461	461
Unassigned	335,489	-	-	335,489
<b>Total Fund Balances</b>	<b><u>335,489</u></b>	<b><u>48,131</u></b>	<b><u>3,121</u></b>	<b><u>386,741</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 370,327</u></b>	<b><u>\$ 62,082</u></b>	<b><u>\$ 4,545</u></b>	<b><u>\$ 436,954</u></b>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
RECONCILIATION OF GOVERNMENTAL FUNDS  
FUND BALANCES TO GOVERNMENT ACTIVITIES  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$</b>	<b>386,741</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,699,215
Certain assets are not collectible in the current period and therefore are not reported in the Governmental Funds. Those receivables include:		
Property Taxes Receivable		1,695
Certain liabilities, deferred outflows and inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds. These include:		
Post Measurement Date Employer Contributions		10,037
Deferred OPEB Inflows		(82,718)
Net OPEB Liability		(363,440)
Accrued Vacation		(18,741)
Notes Payable		(124,593)
		(299,455)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,508,196</u></b>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Fire Protection Fund</b>	<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Charges for Service	\$ 1,959	\$ -	\$ 6,298	\$ 8,257
Taxes				
Gross Receipts	425,143	-	-	425,143
Franchise	28,234	-	-	28,234
Property	25,906	-	-	25,906
Motor Vehicle	27,477	-	-	27,477
Gasoline	54,280	-	-	54,280
Intergovernmental				
Federal	2,303	-	-	2,303
State	183,833	75,607	27,112	286,552
Local	35,500	19,474	11,500	66,474
Fines and Forfeits	165,721	-	28,760	194,481
Licenses and Permits	3,975	-	-	3,975
Interest Income	107	14	-	121
Cemetery Lots	3,730	-	-	3,730
Other Income	14,622	-	5,916	20,538
	<u>972,790</u>	<u>95,095</u>	<u>79,586</u>	<u>1,147,471</u>
<b>Total Revenues</b>				
<b>EXPENDITURES</b>				
<b>Current</b>				
General Administration	204,139	-	45	204,184
Culture and Recreation	74,510	-	24,942	99,452
Senior Center	85,503	-	-	85,503
Health and Welfare	-	-	25,152	25,152
Public Safety	365,469	75,771	26,972	468,212
Judicial	21,832	-	-	21,832
<b>Debt Service</b>				
Principal	2,996	-	14,189	17,185
Interest and Administrative Fees	-	-	654	654
<b>Capital Outlay</b>	<u>124,926</u>	<u>-</u>	<u>-</u>	<u>124,926</u>
<b>Total Expenditures before Transfers</b>	<u>879,375</u>	<u>75,771</u>	<u>91,954</u>	<u>1,047,100</u>
<b>Excess (Deficiency) of Revenues over Expenditures Before Transfers</b>	<u>93,415</u>	<u>19,324</u>	<u>(12,368)</u>	<u>100,371</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	98,641	-	-	98,641
Transfers In	10,407	-	5,500	15,907
Transfers Out	-	-	(15,907)	(15,907)
<b>Total Other Financing Sources (Uses)</b>	<u>109,048</u>	<u>-</u>	<u>(10,407)</u>	<u>98,641</u>
<b>Net Change in Fund Balance after Transfers</b>	202,463	19,324	(22,775)	199,012
<b>Fund Balance, Beginning of Year</b>	<u>133,026</u>	<u>28,807</u>	<u>25,896</u>	<u>187,729</u>
<b>Fund Balance, End of Year</b>	<u>\$ 335,489</u>	<u>\$ 48,131</u>	<u>\$ 3,121</u>	<u>\$ 386,741</u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO THE GOVERNMENTAL ACTIVITIES  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

**Net Changes in Fund Balance - Governmental Funds** **\$ 199,012**

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

Governmental funds report capital outlays over \$5,000 as expenditures in the Governmental Funds, but the cost of those assets is reported as capital assets in the Statement of Net Position. 124,926

Net Change in Deferred Outflows of Resources in Property Taxes 260

Depreciation Expense allocated the cost of capital assets over their useful lives in the Statement of Activities, but the cost of the capital assets has already been expended in prior periods in the Governmental Funds. (355,725)

Proceeds from loans are considered sources of income in the Governmental Funds, but are considered additions to liabilities in the Statement of Activities. (98,641)

Payments and changes in long-term liabilities are reported as expenditures in the Governmental Funds but as changes in liabilities in the Statement of Activities. . Those changes in long-term liabilities include:

Principal Payments on Notes Payable	17,185	
Net Change in OPEB Liability	(4,415)	
Change in Accrued Vacation	(6,475)	
Change in Accrued Interest	107	
	6,402	6,402

**Change in Net Position of Governmental Activities** **\$ (123,766)**



**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service	\$ 2,093	\$ 2,093	\$ 1,959	\$ (134)
Taxes			-	-
Gross Receipts	278,331	278,331	370,827	92,496
Franchise	23,241	23,241	24,820	1,579
Property	28,577	28,577	28,476	(101)
Motor Vehicle	14,875	14,875	27,477	12,602
Gasoline	38,584	38,584	50,223	11,639
Intergovernmental				
Federal	6,172	6,172	2,303	(3,869)
State	235,373	235,373	220,770	(14,603)
Local	36,510	36,510	35,500	(1,010)
Fines and Forfeits	10,931	110,931	165,721	54,790
Licenses and Permits	3,283	3,283	3,975	692
Interest Income	5	5	107	102
Cemetery Lots	-	-	3,730	3,730
Other Income	13,789	13,789	14,622	833
<b>Total Revenues</b>	<u>691,764</u>	<u>791,764</u>	<u>950,510</u>	<u>158,880</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Administration	164,788	164,788	194,253	(29,465)
Culture and Recreation	70,592	70,592	74,510	(3,918)
Senior Center	153,407	153,407	85,503	67,904
Public Safety	243,658	288,708	365,469	(76,761)
Judicial	21,949	21,949	21,832	117
<b>Debt Service</b>				
Principal	-	-	2,996	(2,996)
<b>Capital Outlay</b>				
	-	-	124,926	(124,926)
<b>Total Expenditures before Transfers</b>	<u>654,394</u>	<u>699,444</u>	<u>869,489</u>	<u>(170,045)</u>
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	-	-	98,641	98,641
Transfers In	5,778	-	10,407	10,407
Transfers Out	(4,985)	(14,077)	-	14,077
<b>Total Other Financing Uses (Sources)</b>	<u>(4,985)</u>	<u>(14,077)</u>	<u>109,048</u>	<u>123,125</u>
<b>Net Change in Fund Balance after Transfers</b>	<u>32,385</u>	<u>78,243</u>	<u>190,069</u>	<u>111,960</u>
<b>Cash Balance, Beginning of Year</b>	<u>116,355</u>	<u>116,355</u>	<u>116,355</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 148,740</u>	<u>\$ 194,598</u>	<u>\$ 306,424</u>	<u>\$ 111,960</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			\$ 190,069	
Changes in:				
Grants Receivable			(36,937)	
Taxes Receivable:				
Gross Receipts			54,316	
Property			(2,310)	
Franchise			3,414	
Gasoline			4,057	
Accounts Payable			2,696	
Accrued Payroll Liabilities			(2,908)	
Accrued Salaries			(9,674)	
Deferred Property Taxes			(260)	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ 202,463</u>	

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FIRE PROTECTION FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Intergovernmental				
State	\$ 61,667	\$ 61,667	\$ 75,607	\$ 13,940
Local			19,474	19,474
Interest Income	-	-	14	14
Miscellaneous	3	3	-	(3)
<b>Total Revenues</b>	61,670	61,670	95,095	33,425
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	110,361	110,361	75,771	34,590
<b>Total Expenditures</b>	110,361	110,361	75,771	34,590
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(48,691)	(48,691)	19,324	68,015
<b>Cash Balance, Beginning of Year</b>	28,807	28,807	28,807	-
<b>Cash Balance, End of Year</b>	\$ (19,884)	\$ (19,884)	\$ 48,131	\$ 68,015
<b>Reconciliation to GAAP Basis</b>				
Excess of Revenues over Expenditures - Budget Basis			\$ 19,324	
<b>Excess of Revenues over Expenditures - GAAP Basis</b>			\$ 19,324	

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	<b>Joint Utility Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 34,611
Accounts Receivable, Net	35,796
Environmental Gross Receipts Tax Receivable	1,255
<b>Total Current Assets</b>	<u>71,662</u>
<b>Noncurrent Assets</b>	
Restricted Cash - Meter Deposits	21,180
Capital Assets, Net	1,387,448
<b>Total Noncurrent Assets</b>	<u>1,408,628</u>
<b>Total Assets</b>	<u><u>\$ 1,480,290</u></u>
<b>LIABILITIES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 21,223
Accrued Vacation	1,496
Accrued Payroll	4,027
<b>Total Current Liabilities</b>	<u>26,746</u>
<b>Noncurrent Liabilities</b>	
Customer Deposits	26,461
<b>Total Noncurrent Liabilities</b>	<u>26,461</u>
<b>Total Liabilities</b>	<u>53,207</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,387,448
Unrestricted	39,635
<b>Total Fund Net Position</b>	<u>1,427,083</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 1,480,290</u></u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Joint Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water	\$ 186,756
Sewer	57,378
Solid Waste	135,973
Fines, Fees, Reconnections	11,664
Other Revenue	1,089
	<u>392,860</u>
<b>Total Operating Revenues</b>	
<b>OPERATING EXPENSES</b>	
Personnel Services and Benefits	96,945
Utilities	22,590
Disposal Contract	163,464
Professional and Contracted Services	7,595
Repairs and Maintenance, Supplies and Materials	26,373
Insurance	48,691
Gross Receipts Tax Paid	19,297
Other Operating Expenses	20,161
Depreciation	95,257
	<u>500,373</u>
<b>Total Operating Expenses</b>	<b>500,373</b>
<b>Operating Loss</b>	<b>(107,513)</b>
<b>NONOPERATING REVENUES</b>	
Intergovernmental Receipts	23,433
Environmental Gross Receipts Tax	9,296
	<u>32,729</u>
<b>Total Nonoperating Revenue</b>	<b>32,729</b>
<b>Change in Net Position</b>	<b>(74,784)</b>
<b>Net Position, Beginning of Year</b>	<b>1,501,867</b>
<b>Net Position, End of Year</b>	<b><u><u>\$ 1,427,083</u></u></b>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Joint Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers and Users	\$ 393,729
Payments to and on Behalf of Employees	(97,431)
Payments to Suppliers and Contractors	(304,468)
Other Receipts	1,089
	(7,081)
Net Cash Used by Operating Activities	(7,081)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital Asset Purchases	(11,933)
	(11,933)
Net Cash Used by Investing Activities	(11,933)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental Receipts	23,433
Environmental Gross Receipts Tax	8,648
	32,081
Net Cash Provided by Non Capital Financing Activities	32,081
<b>NET CHANGE IN CASH</b>	13,067
<b>CASH AT BEGINNING OF YEAR</b>	42,724
	42,724
<b>CASH AT END OF YEAR</b>	\$ 55,791
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating Loss	\$ (107,513)
Adjustments to Reconcile Operating Loss to Cash Used by Operating Activities:	
Depreciation	95,257
Changes In:	
Accounts Receivable	683
Accounts Payable	3,703
Accrued Payroll	1,536
Accrued Vacation	(2,022)
Customer Deposits	1,275
	1,275
Net Cash Used by Operating Activities	\$ (7,081)
<b>Reconciliation to the Balance Sheet</b>	
Unrestricted	\$ 34,611
Restricted	21,180
	21,180
<b>CASH AT END OF YEAR</b>	\$ 55,791

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2018**

	<b>Motor Vehicle Clearing</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,406
<b>Total Assets</b>	<u>\$ 1,406</u>
<b>LIABILITIES</b>	
Due to Other Agencies	\$ 1,406
<b>Total Liabilities</b>	<u>\$ 1,406</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This following summary presentation of significant accounting policies of the Town of Tatum (the Town) is to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

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

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

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it could impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

Based upon the GASB 14 criteria above, there are no component units of the Town, nor is the Town considered a component unit of another governmental agency during the fiscal year ended June 30, 2018.

**Measurement Focus, Basis of Accounting, Financial Statement Presentation**

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

In accordance with GASB Statement No. 33, the Town follows the following revenue recognition principles applied to non-exchange transactions:

- Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts ,and gasoline taxes.
- Imposed non-exchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.
- Property tax revenue is recorded on a cash basis and the revenue is recognized in the fiscal year for which the taxes are levied.
- Government-mandated non-exchange transactions and voluntary non-exchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

The Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and gross receipts tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Taxes and other items not properly included among program revenues are reported as general revenues. Grants and similar items are recognized as revenue as soon as all the eligibility requirements of time, reimbursement, and contingencies imposed by the provider are met.

The Lea County Treasurer levies and collects property taxes on behalf of the Town. Property taxes are levied in November and are payable in two installments, half on November 10, which becomes delinquent on December 10, and half on April 10, which becomes delinquent on May 10, which is also the lien date.

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

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.



**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity; and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is a specifically identified function and is included as a separate line item on the Statement of Activities rather than a direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Transfers between funds and other internal activity are eliminated at the government-wide financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

**Governmental Fund Financial Statements** - Governmental fund level financial statements report activity using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenue recognition is as soon as they are both measurable and available.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. Management also has the option to report a fund as major even though it does not fit the criteria. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the Supplemental information section of the report.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund. No other funds were required to be presented as major or at the discretion of management.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Town reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.
- The **Fire Protection Fund** is a special revenue fund which accounts for the receipts and expenditures for the operation and maintenance of the fire department. It is financed by specific allocations from the New Mexico State Fire Marshall's Office. This fund was created under the authority provided by Section 59A-53-1 NMSA 1978.

The Town also reports the additional Governmental funds as non-major funds, including:

**Special Revenue Funds** which are used to account for the proceeds of specific revenue sources that are legally restricted to be expended for specified purposes.

**Business-Type Activities** – Business-Type Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and on an accrual basis. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total position.

Proprietary funds use the *flow of economic resources measurement focus* for accounting purposes. The accounting objectives are a determination of net income, financial position, and changes in cash flow. The Proprietary Funds are accounted for using the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Town reports the following major proprietary funds:

- The **Joint Utility Fund** is used to account for the provision of water services to the residents of the Town and is considered an enterprise fund. 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.

**Budgetary Information** - Budgets for all funds are prepared by management and is approved by the Town Council and the New Mexico Department of Finance and Administration.

The Town clerk/treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide an approved budget. The comprehensive budget package is brought before the Town Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the original budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Exceeding the budgeted expenditures may result in an audit finding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only Town Council approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been prepared in accordance with the above procedures.

**Budget Violations** – The Town exceeded the budgetary authority in the General Fund by approximately \$170,045 and the Recreation Fund by \$297.

**Assets, Liabilities, Net Position or Fund Balance, Other Matters**

**Cash and Investments** - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value. All investments are stated at fair value, which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

**Cash Flow Liquidity** - For purposes of the statement of cash flows, the Town’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.

**Restricted Cash** - The Town restricts a compensating amount of cash equal to the amount of the customer deposits held on hand. These reserves are not required but are separated by management.

**Use of Restricted Cash** - When the Town incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**Grants and Contributions** - The Town receives state and local grants and contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

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

**Utility Receivables** - Substantially all of the Town's outstanding utility receivables are due from its customers for water and sewer service and solid waste collection. Collateral is generally not required on receivables, but a deposit is required to activate new service.

**Allowance for Doubtful Accounts** – Management reviews the accounts receivable periodically to determine which accounts may not be collectible and adjust the account accordingly.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Concentration of Credit Risk for Utility Receivables** - The Town grants credit without collateral to its customers for its services, but the customers are subject to security deposits at the start of service and service termination if the receivables are not settled within a specified time frame. The customer deposits held by the Town helps mitigate the credit risk.

**Customer Deposits** - The Town requires a deposit to establish service for a residential or commercial customer. Deposits are not considered revenue for the Town unless or until the customer closes their account, at which time any remaining balance due on the account is deducted from the deposit and the customer is refunded the excess.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when used rather than purchased.

**Property and Equipment** - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land owned by the Town is always capitalized.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Town has elected not to retroactively record infrastructure assets since being considered a Phase III municipality. However, it must report all infrastructure assets purchased or built after July 1, 2003.

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 asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	25
Infrastructure	25
Office and Maintenance Equipment	7-10
Vehicles	5

**Analysis of Impairments** - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2018.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type activities within the statement of net position. Issuance costs associated with notes entered into are expensed in the year of issuance.

Long-term obligations are reported as debt in the proprietary fund. In the governmental funds, the long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Compensated Absences** – Accumulated leave for the employees is allowed to be carried over at the end of the fiscal year. The Town does not have a formal policy to pay any accumulated amounts to employees upon separation from service with the Town. Sick pay does not vest and is recorded as an expenditure when paid.

**Deferred Outflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time.

**Deferred Inflows of Resources** - Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period.

- ***Government-Wide Statements*** - Unearned revenues represent the prepaid revenues advanced to the Town. Such advances are reported as unearned revenue until the earnings process is complete.
- ***Fund Financial Statements*** - Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as unearned revenues if they are not available in the current period, which the Town has established as sixty days after year end.

**Postemployment Benefits Other Than Pensions (OPEB)** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balance** - Governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of resources: Non-spendable, Restricted, Committed, Assigned and Unassigned. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, e.g., prepaid items or inventories; or (b) legally or contractually required to be maintained intact. Restricted fund balances have limitations placed on the funds by external means or legislation. Committed fund balances have self-imposed limitations. Assigned fund balances have an intended use factor for a specific fund, and unassigned fund balances are excess funds not categorized in the other classifications.

The Town does not have any funds with deficit fund balances as of the fiscal year end.

**Reserved Fund Balance** – The New Mexico Department of Finance and Administration requires that the Town reserves a cash balance equivalent to approximately 1/12 of the general fund budgeted expenditures for subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection occurs.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Net Position** - The government-wide financial statements and proprietary funds utilize a net position presentation. Net position is reported represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- ***Net investment in capital assets*** – This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- ***Restricted net position*** – This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Unrestricted net position*** – This category reflects net position of the Town, not restricted for any project or other purpose.

**Operating and Non-operating Revenues** - Revenues are classified as operating or non-operating according to the following criteria:

*Operating revenue* - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

*Non-operating revenues* - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

**Operating and Non-operating expenditures** - Expenditures are classified as operating or non-operating according to the following criteria:

*Operating expenditures* - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Town capital assets.

*Non-operating expenditures* - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

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

**Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the general or special revenue funds.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Use of 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.

**Risk Management** - The Town is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the Town.

**Subsequent Events** - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

At June 30, 2018, the Town had cash and cash equivalents on deposit with local financial institutions consisting of demand checking accounts. Following is a schedule as of June 30, 2018, of the cash and cash equivalents.

	<b>Bank Balance June 30, 2018</b>	<b>Net Items Outstanding</b>	<b>Book Balance June 30, 2018</b>
<b>Demand Deposit Accounts:</b>			
<b>Western Commerce Bank:</b>			
Operational Pooled Cash	\$ 299,423	\$ (4,712)	\$ 294,711
Detention	7,610	(135)	7,475
201 Ambulance Fund	3,926	-	3,926
209 Ambulance Fund	1,031	(883)	148
County Fire Protection Fund	21,231	211	21,442
LEPF Fund	12	-	12
Municipal Court/Corrections	202	-	202
Senior Center Advisory Fund	4,237	-	4,237
Municipal Utility Fund	35,694	(1,083)	34,611
Water Meter Deposits	21,180	-	21,180
CDBG Fund	11	-	11
MVD Clearing (Agency Fund)	<u>705</u>	<u>701</u>	<u>1,406</u>
Total Western Commerce	395,262	(5,901)	389,361
<b>Lea County State Bank:</b>			
State Fire Protection Fund	<u>40,640</u>	<u>-</u>	<u>40,640</u>
Total Cash and Cash Equivalents	<u>\$ 435,902</u>	<u>\$ (5,901)</u>	<u>\$ 430,001</u>

**Reconciliation to the Statement of Net Position** - Of the \$430,001 carrying value of cash and cash equivalents for the Town, \$1,406 is held for an Agency Fund. The remaining \$428,595 includes approximately \$21,180 of restricted cash in the Water Fund for customer deposits, leaving approximately \$407,415 in unrestricted cash as noted in the Statement of Net Position.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE B - CASH AND CASH EQUIVALENTS (Cont.)**

**Collateralization** - The FDIC provides coverage of up to \$250,000 for interest-bearing and non-interest-bearing demand accounts separately from an additional \$250,000 for interest-bearing time and savings accounts. Excess coverage from one category is not transferrable to the other. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value.

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to them. The Town does not have a deposit policy for custodial credit risk other than state statutes. As of June 30, 2018, none of the Town's bank balances were exposed to custodial credit risk before applying the pledged collateral. BNY Mellon in New York City, New York holds the securities pledged toward the Town.

	<b>Western Commerce Bank</b>	<b>Lea County State Bank</b>	<b>Totals</b>
Deposits	\$ 395,262	\$ 40,640	\$ 435,902
Less FDIC/NCUA Coverage	<u>(250,000)</u>	<u>(40,640)</u>	<u>(290,640)</u>
Uninsured Funds	145,262	<u>\$ -</u>	145,262
Pledged Collateral Securities	<u>215,630</u>		<u>215,630</u>
Uninsured and Uncollateralized	<u>\$ (70,368)</u>		<u>\$ (70,368)</u>
50% Pledged Collateral Requirement per Statute	\$ 72,631		\$ 72,631
Pledged Collateral	<u>215,630</u>		<u>215,630</u>
(Over) Under Collateralized	<u>\$ (142,999)</u>		<u>\$ (142,999)</u>

<b>Western Commerce Bank Pledged Collateral:</b>	<b>Maturity</b>	<b>Market Value</b>	<b>Par Value</b>
FNMA – #770744	04/01/2034	\$ 101,416	\$ 97,427
FNMA Gold - #G02198	05/01/2036	<u>114,214</u>	<u>108,473</u>
Total Collateral		<u>\$ 215,630</u>	<u>\$ 205,900</u>

**New Mexico Finance Authority Deposits** - The Town has approximately \$247 on deposit with the New Mexico Finance Authority (NMFA). The amount on deposit is being held in escrow by NMFA for debt service purposes. The amounts on deposit with NMFA are not covered by FDIC and not considered in the collateralization requirement calculation.

	<b>Cash Balance</b>	<b>Reserve Funds Payable</b>	<b>Total on Deposit</b>
NMFA PP-2751	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 247</u>



**STATE OF NEW MEXICO  
TOWN OF TATUM  
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JUNE 30, 2018**

**NOTE C - RECEIVABLES**

**Government Activities** – The Town operates the local ambulance service and bills Medicaid and other private insurance carriers for their services, with the transported patient billed for any remainder not covered by insurance. The full amount of any outstanding ambulance charges is fully reserved at fiscal year-end and recorded as income as the Town collects.

The Town records gross receipts, franchise and other taxes collected within sixty days of year end as receivables at year end. The Town fully reserves the amount of property tax as uncollectible for in the General Fund as a Deferred Outflow of Resources. The following amount are considered receivable at the fiscal year end.

	<b>Total</b>
Gross Receipts Tax	\$ 54,737
Property Tax	1,695
Franchise	3,414
Gasoline	<u>4,057</u>
Total Taxes Receivable	<u>\$ 63,903</u>

**Business-type Activities** – The Town records environmental gross receipts tax collected within sixty days of year end as a receivable at year end in the Joint Utility Fund. The Fund reports approximately \$1,255 of EGRT as the fiscal year end.

The Town reserves a portion of the utility accounts receivable as not being susceptible to collection. The amount of the allowance for the Joint Utility Fund is below as of the fiscal year end:

	<b>Joint Utility Fund</b>
Gross Accounts Receivables	\$ 36,967
Less Allowance for Doubtful Accounts	<u>(1,171)</u>
Accounts Receivables - Net	<u>\$ 35,796</u>

**Concentrations of Risk** - The Town depends on financial resources flowing from, or associated with, property taxes, gross receipts taxes, the Federal Government and the State of New Mexico. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal, State, and local appropriations; changes in gross receipts tax rates, collections, and property values.

**NOTE D - TRANSFERS**

The Town transferred approximately \$8,216 and \$758 out of the Cemetery Fund and Special Building Fund, respectively, to the General Fund to close the respective funds. The Town transferred approximately \$6,933 out of the Corrections Fund, of which approximately \$5,500 was moved into the Recreation Fund, and the remaining \$1,433 to the General Fund.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE E - CAPITAL ASSETS**

The following capital asset activity for the Town for the year ended June 30, 2018 is as follows:

	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 60,368	-	-	\$ 60,368
Total Non-depreciable Capital Assets	<u>60,368</u>	-	-	<u>60,368</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	3,068,068	-	-	3,068,068
Land Improvements	1,164,608	-	-	1,164,608
Equipment	615,093	-	-	615,093
Vehicles	<u>1,869,587</u>	<u>124,926</u>	-	<u>1,994,513</u>
Total Depreciable Capital Assets	<u>6,717,356</u>	<u>124,926</u>	-	<u>6,842,282</u>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(2,168,139)	(76,458)	-	(2,244,597)
Land Improvements	(517,038)	(53,157)	-	(570,195)
Equipment	(290,139)	(43,969)	-	(334,108)
Vehicles	<u>(872,394)</u>	<u>(182,141)</u>	-	<u>(1,054,535)</u>
Accumulated Depreciation	<u>(3,847,710)</u>	<u>(355,725)</u>	-	<u>(4,203,435)</u>
Total Depreciable Capital Assets, Net	<u>2,869,646</u>	<u>(230,799)</u>	-	<u>2,638,847</u>
Capital Assets, Net	<u>\$ 2,930,014</u>	<u>\$ (230,799)</u>	<u>\$ -</u>	<u>\$ 2,699,215</u>

Management has elected to present the Governmental Activities depreciation expense of \$355,725 as a separate line-item expense on the Statement of Activities rather than allocating the expense to each function within the primary government.

	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
<b>Business-type Activities:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 8,320	-	-	\$ 8,320
Total Non-depreciable Capital Assets	<u>8,320</u>	-	-	<u>8,320</u>
<b>Depreciable Capital Assets</b>				
Equipment	826,879	-	-	826,879
Water System	<u>2,079,796</u>	<u>11,933</u>	-	<u>2,091,729</u>
Total Depreciable Capital Assets	<u>2,906,675</u>	<u>11,933</u>	-	<u>2,918,608</u>
<b>Accumulated Depreciation</b>				
Equipment	(712,183)	(53,896)	-	(766,079)
Water System	<u>(732,040)</u>	<u>(41,361)</u>	-	<u>(773,401)</u>
Total Accumulated Depreciation	<u>(1,444,223)</u>	<u>(95,257)</u>	-	<u>(1,539,480)</u>
Total Depreciable Capital Assets, Net	<u>1,462,452</u>	<u>(83,324)</u>	-	<u>1,379,128</u>
Capital Assets, Net	<u>\$ 1,407,772</u>	<u>\$ (83,324)</u>	<u>\$ -</u>	<u>\$ 1,387,448</u>

**STATE OF NEW MEXICO  
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JUNE 30, 2018**

**NOTE F - COMPENSATED ABSENCES**

Vacation and sick leave are earned by employees during the year based on time worked, are non-cumulative and considered to be a current liability. Vacation leave due, if any, is paid upon an employee's termination. Compensation for sick leave is limited to time off and is not monetarily compensated. The activity of the accrued leave due to employees as of June 30, 2018 is detailed below. Vacation for the governmental activities are paid by the respective funds to which the employee is assigned. The Utility Fund incurs the expenditures for the Business-type activities for the employees assigned to that fund.

	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Payable Within One Year</b>
Governmental Activities	\$ 12,266	\$ 39,650	\$ (33,175)	\$ 18,741	\$ 18,741
Business-type Activities	<u>3,518</u>	<u>3,772</u>	<u>(5,794)</u>	<u>1,496</u>	<u>1,496</u>
Total	<u>\$ 15,784</u>	<u>\$ 43,422</u>	<u>\$ (38,969)</u>	<u>\$ 20,237</u>	<u>\$ 20,237</u>

**NOTE G - LONG-TERM DEBT**

The Town had the following long-term debt obligations as of June 30, 2018:

**NMFA 2751-PP – Police Vehicles and Equipment** - The Town entered into an agreement with NMFA on August 31, 2012 to borrow \$98,166 for the purpose of purchasing three police vehicles and additional police equipment for use by the Town. The note matures May 1, 2020. The annual payment is \$14,843 and accrues interest at a blended rate of 1.237%. The debt is paid out of the Law Enforcement Protection Fund using state LEPF protection allocation funds that are intercepted by NMFA. The Town paid approximately \$654 in interest expense and administration fees during the fiscal year from the Fire Protection Fund.

**Capital Lease – Police Vehicles** – The Town entered into a lease-purchase agreement with Ally Financial to finance the purchase of two Chevy Tahoe police vehicles through a capital lease. The capital lease calls for monthly payments of approximately \$2,996 per month at a 6.24% interest rate and will mature in May 2021. The debt will be paid out of the General Fund. The Town did not pay any interest on the capital lease during the fiscal year.

Long-term debt activity for the fiscal year ended June 30, 2018 was as follows:

	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Payable Within One Year</b>
NMFA 2751-PP	\$ 43,137	\$ -	\$ (14,189)	\$ 28,948	\$ 14,364
Capital Lease	<u>-</u>	<u>98,641</u>	<u>(2,996)</u>	<u>95,645</u>	<u>30,857</u>
Total	<u>\$ 43,137</u>	<u>\$ 98,641</u>	<u>\$ (17,185)</u>	<u>\$ 124,593</u>	<u>\$ 45,221</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE G - LONG-TERM DEBT (Cont.)**

Long-term debt service requirements to maturity for the Town is as follows:

Fiscal Year Ending June 30,	NMFA Loan			Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 14,364	\$ 473	\$ 14,837	\$ 30,857	\$ 5,095	\$ 35,952
2020	14,584	260	14,844	32,838	3,114	35,952
2021	-	-	-	31,950	1,005	32,955
	<u>\$ 28,948</u>	<u>\$ 733</u>	<u>\$ 29,681</u>	<u>\$ 95,645</u>	<u>\$ 9,214</u>	<u>\$ 104,859</u>

**NOTE H - PERA PENSION PLAN**

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

**NOTE I - SIMPLE IRA RETIREMENT PLAN**

The Town offers its employees the opportunity to participate in an individual retirement plan referred to as a SIMPLE IRA plan, authorized by the Internal Revenue Code section 401(K). The Town has elected to match contributions on employee contributions up to three percent of compensation. The Town's contributions to the plan for the fiscal year ended June 30, 2018 was approximately \$3,081.

**NOTE J – OPEB/RETIREE HEALTH CARE FUND**

**Plan description** - Employees of the Town are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided** - The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**STATE OF NEW MEXICO  
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**NOTE J – OPEB/RETIREE HEALTH CARE FUND (Cont.)**

**Employees covered by benefit terms** – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

**Plan Membership**

Current Retirees and Surviving Spouses	51,208
Inactive and Eligible for Deferred Benefit	11,478
Current Active Members	<u>97,349</u>
Total Plan Membership	<u>160,035</u>

**Active Membership**

State General	19,593
State Police and Corrections	1,886
Municipal General	21,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
Total Active Membership	<u>97,349</u>

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Town were \$10,037 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2018, the Town reported a liability of \$363,440 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Town’s proportion was 0.00802 percent.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$14,440. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in Assumption	\$ -	\$ 63,543
Differences Between Expected and Actual Experience	-	13,947
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	5,228
Post Measurement Date Employer Contributions	<u>10,037</u>	-
<b>Totals</b>	<u>\$ 10,037</u>	<u>\$ 82,718</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
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JUNE 30, 2018**

**NOTE J – OPEB/RETIREE HEALTH CARE FUND (Cont.)**

Deferred outflows of resources totaling \$10,037 represent own contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<b>Year Ended June 30,</b>	
2019	\$ (17,586)
2020	(17,586)
2021	(17,586)
2022	(17,586)
2023	<u>(12,374)</u>
<b>Totals</b>	<b>\$ <u>(82,718)</u></b>

**Actuarial assumptions** - As described above, the OPEB liabilities are based on actuarial valuations performed as of June 30, 2017 for each of the membership groups. Then each OPEB liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Calculated on Individual Employee Basis
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Investment Rate of Return	7.25% Annual Rate, Net of Investment Expense and Margin for Adverse Deviation Including Inflation
Projected Salary Increases	3.5%
Included Inflation at	2.50% for ERB, 2.25% for PERA
Health Care Cost Trend Rate	8% Graded Down to 4.5% over 14 Years for Non-Medicare Medical Plan Costs, and 7.5% Graded Down to 4.5% over 12 Years for Medicare Medical Plan Costs

**Rate of Return** - The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

**STATE OF NEW MEXICO  
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**NOTE J – OPEB/RETIREE HEALTH CARE FUND (Cont.)**

The most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ALL FUNDS – Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
US Core Fixed Income	4.1%
US Equity – Large Cap	9.1
Non-US – Emerging Markets	12.2
Non-US – Developed Equities	9.8
Private Equity	13.8
Credit & Structured Finance	7.3
Real Estate	6.9
Absolute Return	6.1
US Equity – Small/Mid Cap	9.1

**Discount Rate** - The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates** - The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

<b>Proportionate Share of Net Pension Liability</b>	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
	<u>\$ 440,847</u>	<u>\$ 363,440</u>	<u>\$ 302,707</u>

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<b>Proportionate Share of Net Pension Liability</b>	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
	<u>\$ 309,131</u>	<u>\$ 363,440</u>	<u>\$ 405,788</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE J – OPEB/RETIREE HEALTH CARE FUND (Cont.)**

**OPEB plan fiduciary net position** - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability** - At June 30, 2018, the Town had no due to NMRHCA for the year ended June 30, 2018.

**NOTE K - PRIOR PERIOD ADJUSTMENT**

The Town implemented GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017 for the 2018 fiscal year. As a result, Government-wide Net Position of the Town was decreased by approximately \$431,706, which is the net difference of the amount of OPEB liability of \$438,595 allocated to the Town and the deferred outflow of resources of employer contributions subsequent to the measurement date of June 30, 2017 of \$6,889. The Fund Financial Statements were not affected by this implementation.



**REQUIRED SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULES OF PROPORTIONATE SHARE OF OPEB  
LIABILITY AND REQUIRED CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

<b>Actuarial Valuation Date</b>	<b>6/30/18</b>
<b>Proportionate Share of OPEB Liability</b>	
Proportion of OPEB Liability	0.00802%
OPEB Liability	\$ 363,440
Annual Covered Payroll	509,860
OPEB Liability as Percentage of Covered Payroll	71%
Fiduciary Net Position as a Percentage of Total Pension Liability	11.34%
<b>Schedule of Required Contributions</b>	
Contractually Required Contribution	10,037
Contributions Made	10,037
Contributions as Percentage of Covered Payroll	2%

\*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NONMAJOR FUND DESCRIPTIONS  
JUNE 30, 2018**

**Correction Fund** - Accounts for the fees imposed upon conviction of an individual as stipulated under Sections 34-9-12 and 35-14-11 NMSA 1978. The funds collected are restricted to be used in the operation and maintenance of the Town's jail facilities.

**Emergency Medical Services Fund** - Accounts for the operation and maintenance of the EMS department. Financing is provided by motor vehicle registration fees. The fund was created under 24-10A-6, NMSA 1978.

**Law Enforcement Protection Fund** - Accounts for the operations and maintenance of a special grant for the police department. Financing is provided by a grant from the State. The grant may be used only for the operations of the police department. Authority for creating this fund is Section 29-13-3 NMSA 1978.

**Recreation Fund** – Accounts for the receipts designated for use in recreational areas only. The fund was established by local ordinance and was closed this fiscal year by the Town Council

**Cemetery Fund** – Accounts for the funds received from the sale of lots and donation for the purpose of maintaining the community cemetery. The fund was established by local ordinance authorized under Section 3-40-1, NMSA 1978, and was closed this fiscal year by Town Council and blended with the General Fund.

**Special Building Fund** – Accounts for revenues and expenditures associated with the rental and maintenance of a municipal building previously housing a grocery store. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978, and closed this fiscal year by Town Council and blended with the General Fund.

**CDBG Fund** – The fund is a capital projects fund which was created by Council authority to accounts for all resources for the general capital outlay expenditures of the Town, and any reimbursements from external sources.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
COMBINED BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>Special Revenue Funds</u>			
	<b>Corrections Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Law Protection Fund</b>	<b>Recreation Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 202	\$ 4,073	\$ 12	\$ -
NMFA Cash Deposits	-	-	247	-
<b>Total Assets</b>	<u>\$ 202</u>	<u>\$ 4,073</u>	<u>\$ 259</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 1,324	\$ -	\$ -
Accrued Salaries	-	100	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>1,424</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted For:				
General Administration.	-	-	-	-
Emergency Services	-	2,649	-	-
Public Safety	202	-	259	-
<b>Total Fund Balances</b>	<u>202</u>	<u>2,649</u>	<u>259</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 202</u>	<u>\$ 4,073</u>	<u>\$ 259</u>	<u>\$ -</u>

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

<u>Special Revenue Funds</u>		Capital Projects Fund	Total Nonmajor Governmental Funds
Cemetery Fund	Special Building Fund	CDBG Fund	
\$ -	\$ -	\$ 11	\$ 4,298
-	-	-	247
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 4,545</u>
\$ -	\$ -	\$ -	\$ 1,324
-	-	-	100
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,424</u>
-	-	11	11
-	-	-	2,649
<u>-</u>	<u>-</u>	<u>-</u>	<u>461</u>
<u>-</u>	<u>-</u>	<u>11</u>	<u>3,121</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 4,545</u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
COMBINED SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>Special Revenue Funds</b>			
	<b>Corrections Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Law Enforcement Protection Fund</b>	<b>Recreation Fund</b>
<b>REVENUES</b>				
Charges for Service	\$ -	\$ 3,334	\$ -	\$ -
Taxes				
Gasoline		-	-	-
Intergovernmental				
State	-	7,112	20,000	-
Local	-	11,500		-
Fines and Forfeits	28,760	-		
Miscellaneous	200	-	125	5,591
<b>Total Revenues</b>	<b>28,960</b>	<b>21,946</b>	<b>20,125</b>	<b>5,591</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Administration	-	-	-	-
Culture and Recreation	-			13,679
Health and Welfare		25,152	-	-
Public Safety	21,827	-	5,145	-
<b>Debt Service</b>				
Principal	-	-	14,189	-
Interest and Administrative Fees	-	-	654	-
<b>Total Expenditures</b>	<b>21,827</b>	<b>25,152</b>	<b>19,988</b>	<b>13,679</b>
<b>Excess (Deficit) of Revenues over Expenditures Before Transfers</b>	<b>7,133</b>	<b>(3,206)</b>	<b>137</b>	<b>(8,088)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				5,500
Transfers Out	(6,933)	-	-	
<b>Total Other Financing Sources (Uses)</b>	<b>(6,933)</b>	<b>-</b>	<b>-</b>	<b>5,500</b>
<b>Net Change in Fund Balance after Transfers</b>	<b>200</b>	<b>(3,206)</b>	<b>137</b>	<b>(2,588)</b>
<b>Fund Balance, Beginning of Year</b>	<b>2</b>	<b>5,855</b>	<b>122</b>	<b>2,588</b>
<b>Fund Balance, End of Year</b>	<b>\$ 202</b>	<b>\$ 2,649</b>	<b>\$ 259</b>	<b>\$ -</b>

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

## **SUPPLEMENTAL INFORMATION**

<u>Special Revenue Funds</u>		Capital Projects Fund	Total Nonmajor Governmental Funds
Cemetery Fund	Special Building Fund	CDBG Fund	
\$ 2,964	\$ -	\$ -	\$ 6,298
-	-	-	-
-	-	-	27,112
			11,500
			28,760
			5,916
<u>2,964</u>	<u>-</u>	<u>-</u>	<u>79,586</u>
-	45	-	45
11,263	-	-	24,942
-	-	-	25,152
-	-	-	26,972
-	-	-	14,189
<u>-</u>	<u>-</u>	<u>-</u>	<u>654</u>
<u>11,263</u>	<u>45</u>	<u>-</u>	<u>91,954</u>
<u>(8,299)</u>	<u>(45)</u>	<u>-</u>	<u>(12,368)</u>
			5,500
<u>(8,216)</u>	<u>(758)</u>	<u>-</u>	<u>(15,907)</u>
<u>(8,216)</u>	<u>(758)</u>	<u>-</u>	<u>(10,407)</u>
(16,515)	(803)	-	(22,775)
<u>16,515</u>	<u>803</u>	<u>11</u>	<u>25,896</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 3,121</u>

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



**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CORRECTION FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Fines and Forfeits	\$ 25,926	\$ 25,926	\$ 28,760	\$ 2,834
Miscellaneous	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
<b>Total Revenues</b>	25,926	25,926	28,960	3,034
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	<u>22,378</u>	<u>22,378</u>	<u>21,827</u>	<u>551</u>
<b>Total Expenditures</b>	<u>22,378</u>	<u>22,378</u>	<u>21,827</u>	<u>551</u>
<b>Deficiency of Revenues over Expenditures Before Transfers</b>	3,548	3,548	7,133	3,585
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(6,933)</u>	<u>(6,933)</u>
<b>Total Other Financing Sources (Uses)</b>			<u>(6,933)</u>	<u>(6,933)</u>
<b>Net Change in Fund Balance after Transfers</b>			200	(3,348)
<b>Cash Balance, Beginning of Year</b>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 3,550</u>	<u>\$ 3,550</u>	<u>\$ 202</u>	<u>\$ (3,348)</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			<u>\$ 200</u>	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ 200</u>	

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMS FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service			\$ 3,334	\$ 3,334
Intergovernmental				
State	30,318	30,318	7,112	(23,206)
Local	-	-	11,500	11,500
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>21,946</u>	<u>11,500</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Health and Welfare	31,905	31,905	24,258	7,647
<b>Total Expenditures</b>	<u>31,905</u>	<u>31,905</u>	<u>24,258</u>	<u>7,647</u>
<b>Net Change in Fund Balance</b>	(31,905)	(31,905)	(2,312)	29,593
<b>Cash Balance, Beginning of Year</b>	<u>8,173</u>	<u>8,173</u>	<u>8,173</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ (23,732)</u>	<u>\$ (23,732)</u>	<u>\$ 5,861</u>	<u>\$ 29,593</u>
 <b>Net Change in Fund Balance - Budget Basis</b>			 \$ (2,312)	
Change in:				
Accounts Payable			(899)	
Accrued Salaries			<u>5</u>	
<b>Net Change in Fund Balance - GAAP Basis</b>			<u>\$ (3,206)</u>	

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LAW ENFORCEMENT PROTECTION FUND  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental				
State	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Miscellaneous	-	-	125	125
<b>Total Revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>20,125</u>	<u>125</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	5,156	5,156	5,145	11
<b>Debt Service</b>				
Principal	14,190	14,190	14,189	1
Interest and Administrative Fees	<u>654</u>	<u>654</u>	<u>654</u>	<u>-</u>
<b>Total Expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>19,988</u>	<u>12</u>
<b>Net Change in Fund Balance</b>	-	-	137	137
<b>Cash Balance, Beginning of Year</b>	<u>122</u>	<u>122</u>	<u>122</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 122</u>	<u>\$ 122</u>	<u>\$ 259</u>	<u>\$ 137</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance - Budget Basis</b>			<u>\$ 137</u>	
<b>Net Change in Fund Balance - GAAP Basis</b>			<u>\$ 137</u>	

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

STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
RECREATION FUND  
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Miscellaneous	\$ 2,984	\$ 2,984	\$ 5,591	\$ 2,607
<b>Total Revenues</b>	2,984	2,984	5,591	2,607
<b>EXPENDITURES</b>				
<b>Current</b>				
Health and Welfare	10,572	13,382	13,679	(297)
<b>Total Expenditures</b>	10,572	13,382	13,679	(297)
<b>Deficiency of Revenues over Expenditures Before Transfers</b>	(7,588)	(10,398)	(8,088)	2,310
<b>OTHER FINANCING SOURCES</b>				
Transfers In	5,000	2,810	5,500	2,690
<b>Total Other Financing Sources</b>	5,000	2,810	5,500	2,690
<b>Net Change in Fund Balance after Transfers</b>	(2,588)	(7,588)	(2,588)	(2,588)
<b>Cash Balance, Beginning of Year</b>	2,588	2,588	2,588	-
<b>Cash Balance, End of Year</b>	<u>\$ 2,412</u>	<u>\$ (9,778)</u>	<u>\$ -</u>	<u>\$ 5,102</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			<u>\$ (8,088)</u>	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ (8,088)</u>	

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
JOINT UTILITY FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Charges for Services				
Water	401,662	401,662	\$ 186,073	\$ (215,589)
Sewer	-	-	57,378	57,378
Solid Waste	-	-	135,973	135,973
Fines, Fees, Reconnections	-	-	11,664	11,664
Other Revenue	-	-	2,364	2,364
<b>Total Operating Revenues</b>	401,662	401,662	393,452	(8,210)
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Personnel Services and Benefits	-	-	97,301	(97,301)
Utilities	-	-	22,590	(22,590)
Disposal Contract	-	-	163,464	(163,464)
Professional and Contracted Services	-	-	7,595	(7,595)
Repairs and Maintenance, Supplies and Materials	-	-	26,373	(26,373)
Insurance	-	-	48,691	(48,691)
Gross Receipts Tax Paid	-	-	19,297	(19,297)
Other Operating Expenses	415,271	415,271	16,458	398,813
<b>Capital Outlay</b>	-	-	11,993	(11,993)
<b>Total Operating Expenses</b>	415,271	415,271	413,762	1,509
<b>Operating Income</b>	(13,609)	(13,609)	(20,310)	(6,701)
<b>NONOPERATING REVENUE</b>				
Intergovernmental Receipts	-	-	23,433	23,433
Environmental Gross Receipts Tax	-	-	9,944	9,944
<b>Total Nonoperating Revenue</b>	-	-	33,377	33,377
<b>Change in Net Position</b>	(13,609)	(13,609)	13,067	26,676
<b>Cash - Beginning of Year</b>	42,724	42,724	42,724	-
<b>Cash - End of Year</b>	\$ 29,115	\$ 29,115	\$ 55,791	\$ 86,729
<b>Reconciliation to GAAP Basis</b>				
<b>Change in Net Position - Budget Basis</b>			\$ 13,067	
Depreciation			(95,257)	
Capital Outlay			11,993	
Change in:				
Accounts Receivable			683	
Environmental Gross Receipts Tax Receivable			(648)	
Accounts Payable			(3,703)	
Accrued Payroll			(1,536)	
Accrued Vacation			1,892	
Customer Deposits			(1,275)	
<b>Change in Net Position - GAAP Basis</b>			\$ (74,784)	

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
MVD CLEARING AGENCY FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Balance 06/30/17</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/18</b>
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 100	\$ 194,132	\$ (192,826)	\$ 1,406
<b>Total Assets</b>	<u>\$ 100</u>	<u>\$ 194,132</u>	<u>\$ (192,826)</u>	<u>\$ 1,406</u>
<b>LIABILITIES</b>				
<b>LIABILITIES</b>				
Due to Other Agencies	\$ 100	\$ 194,132	\$ (192,826)	\$ 1,406
<b>Total Liabilities</b>	<u>\$ 100</u>	<u>\$ 194,132</u>	<u>\$ (192,826)</u>	<u>\$ 1,406</u>

## **INTERNAL CONTROL AND COMPLIANCE**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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***

Wayne Johnson,  
New Mexico State Auditor, and  
Mayor and Town Council  
Town of Tatum  
Tatum, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Town of Tatum, New Mexico as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the nonmajor funds presented as supplemental 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, 2018, as listed in the table of contents and have issued our report thereon dated November 13, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 have not been 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 as 2018-003.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed matter described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 as an item of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978.

## **Town's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
November 13, 2018

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-001 (2017-001) - Legal Compliance with Budget – Compliance (Revised and Repeated)**

**CONDITION** - The Town's actual expenditures exceeded authorized budgetary expenditures in the General Fund by approximately \$170,045, and the Recreation Fund by approximately \$297.

**PROGRESS ON RESOLVING PRIOR YEAR FINDING** – The Town has made some progress in resolving budget overruns by reducing the amount of funds causing the violation. The prior year finding reported six funds with budget violations.

**CRITERIA** - Section 6-6-6 NMSA 1978 requires the Town to keep expenditures within the approved budget at the fund level, rather than at the individual line item level.

**CAUSE** - The General Fund final budget was not adjusted for additional capital outlay and operational expenditures for the purchase of the police vehicles and the police department, respectively. The Recreation Fund incurred some minor utility expenditures to exceed the budgeted amount.

**EFFECT** - The Town may not have accurate information for planning activities and cash flows in the funds that exceeded the budget.

**RECOMMENDATION** - The Town should review budget versus actual comparison periodically to ensure that budget adjustments are warranted, approved by Council and forwarded to DFA for approval.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** - The Town Clerk will re-assess the 2019 fiscal year final budget against the actual expenditures and recommend any necessary budget adjustments before finalizing the budget for the fiscal year. With the implementation of the online budgeting system by DFA, the Town Clerk will be more cognizant of budget variances and be able to work with the Council and department heads to identify any unusual or one-time increases in the expenditures and will adjust the budget accordingly before the final budget is due at the end of the fiscal year. This finding should be resolved by the July 31st final budget submission deadline for the 2019 Fiscal Year.

**2018-002 (2017-003) – Bank Statement Did Not Reconcile to the General Ledger – Compliance (Revised and Repeated)**

**CONDITION** - The Town's bank reconciliation did not match the General Ledger on several accounts. The General Fund reconciliation contained a variance of approximately \$234, the Joint Utility fund contained a variance of approximately \$1,229, and the County Fire Protection account contained a variance of approximately \$384.

**PROGRESS ON RESOLVING PRIOR YEAR FINDING** – The Town has not made significant progress and continues to have issues regarding changes to the general ledger cash accounts after the reconciliations are performed and printed.

**CRITERIA** – Bank statements should be properly reconciled to the balances in the general ledger and subsidiary accounts as required by 6-10-2 NMSA 1978.

**CAUSE** – Changes or corrections are being made to the general ledger after the reconciliations are printed, causing the original reconciliation to misstate the adjusted balance at the end of the period.

**EFFECT** - The Town is out of compliance with the state statute and the Town's records may not properly reflect the available cash balance.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-002 (2017-003) – Bank Statement Did Not Reconcile to the General Ledger – Compliance (Revised and Repeated) (Cont.)**

**RECOMMENDATION** – Anytime a change or correction to a cash account is made, either the reconciliation should be re-run or a manual reconciliation should be performed on the face of the original to reflect the adjustments to the account.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – The Town Clerk will make sure that all pertinent changes or corrections to the cash account will be made before reconciling the bank statements but will still do so in a timely manner. Timeline for this finding to be corrected will be approximately the end of November 2018.

**2018-003 – Ambulance Billing and Revenue – Significant Deficiency**

**CONDITION** - The Town’s ambulance service had not billed out approximately 20 runs during the fiscal year, potentially losing a minimum of approximately \$5,780 in ambulance revenue. The actual amount of potentially lost revenue is not readily determinable depending on the level of ambulatory care needed for the patient plus any mileage charges.

**CRITERIA** - Claims for reimbursement should be submitted within 90 to 180 days of service, depending on the insurance carrier. Claims submitted after the time frame are normally denied reimbursement by the insurance carrier, putting the cost burden onto the patient as a private-pay billing.

**CAUSE** - The reimbursement claims require to have a license paramedic complete and authorize approval of the paperwork that is submitted for reimbursement. Several times during the year, a licensed paramedic was unavailable to complete the paperwork, causing the ambulance run to remain unsubmitted until approved for submission.

**EFFECT** - The Town may be forfeiting potential revenue which would help support the EMS system in the Town.

**RECOMMENDATION** - The Town should work with area licenses paramedics to provide incentives to aid in the submission of the reimbursement requests.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** - It is moderately difficult to find and retain licensed medical personnel in a rural municipality. We are working with the current ambulance personnel to be more responsive regarding the completion and submission of the paperwork. We have also contracted with a third-party software company to aid in the management and collection of submissions, assist on correcting rejected claims, and work with patients on collecting outstanding debts. The Mayor and the assistant clerk, who has had training on the software, are coordinating with the ambulance personnel to work through the backlog. As of the date of the exit conference, all outstanding ambulance runs have been submitted for reimbursement. The finding was resolved in November 2018.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**FINANCIAL STATEMENT FINDINGS:**

*PRIOR YEAR FINDINGS:*

2017-001 – Expenditures in Excess of Budget	Repeated and Revised
2017-002 – Budget Line Item(s) Over Expended	Removed
2017-003 – Bank Accounts were not Reconciled to the General Ledger	Repeated and Revised

**STATE OF NEW MEXICO  
TOWN OF TATUM  
EXIT CONFERENCE  
JUNE 30, 2018**

An entrance conference was held with Town officials on August 20, 2018. The exit conference was held with Town officials and the contents of this report were discussed on November 13, 2018. The following individuals were available for the conference:

**Town of Tatum**

**Scott Northam, CPA, PC**

Marilyn Burns, Mayor  
Lynn Stevens, Town Clerk

Scott Northam, CPA

The financial statements of the Town of Tatum were prepared by Scott Northam, CPA, PC from original books and records provided by and with assistance from the management of the Town.

Although standards strongly emphasize the Town prepare its own financial statements, the consensus between Town management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Town designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Town reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes and Supplemental schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.