

**STATE OF NEW MEXICO  
TOWN OF TATUM  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
JUNE 30, 2019**

## **INTRODUCTORY SECTION**

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TOWN OF TATUM  
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TOWN OF TATUM  
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**STATE OF NEW MEXICO  
TOWN OF TATUM  
OFFICIAL ROSTER  
JUNE 30, 2019**

**TOWN COUNCIL**

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

**TOWN OFFICIAL**

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

## **FINANCIAL SECTION**



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

## INDEPENDENT AUDITOR'S REPORT

Brian Colón, 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, 2019, 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, 2019, 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, 2019, 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 October 30, 2019 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  
October 30, 2019



**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<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	\$ 217,021	\$ 29,820	\$ 246,841
NMFA Cash Deposits	220	-	220
Accounts Receivable, Net	-	34,451	34,451
Taxes Receivable			
Gross Receipts	57,061	2,837	59,898
Property	2,505	-	2,505
Franchise	4,931	-	4,931
Gasoline	7,585	-	7,585
	<u>289,323</u>	<u>67,108</u>	<u>356,431</u>
<b>Total Current Assets</b>			
<b>NONCURRENT ASSETS</b>			
Restricted Cash and Cash Equivalents	-	22,785	22,785
Capital Assets, Net	2,447,644	1,322,829	3,770,473
	<u>2,447,644</u>	<u>1,345,614</u>	<u>3,793,258</u>
<b>Total Noncurrent Assets</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Net OPEB Liability Deferred Outflows	144,142	-	144,142
Post Measurement Date Employer Contributions	12,660	-	12,660
	<u>156,802</u>	<u>-</u>	<u>156,802</u>
<b>Total Deferred Outflows of Resources</b>			
<b>Total Assets and Deferred Outflows</b>	<u>\$ 2,893,769</u>	<u>\$ 1,412,722</u>	<u>\$ 4,306,491</u>

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

	<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	\$ 8,175	\$ 21,223	\$ 29,398
Accrued Payroll Liabilities	10,433	-	10,433
Accrued Payroll	22,903	3,302	26,205
Current Portion of Long-Term Debt	47,422	-	47,422
<b>Total Current Liabilities</b>	<u>88,933</u>	<u>24,525</u>	<u>113,458</u>
<b>NONCURRENT LIABILITIES</b>			
Customer Deposits	-	27,800	27,800
Accrued Vacation	18,638	4,697	23,335
Net OPEB Liability	485,276	-	485,276
Long-Term Debt, Net of Current Portion	31,950	-	31,950
<b>Total Noncurrent Liabilities</b>	<u>535,864</u>	<u>32,497</u>	<u>568,361</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Net OPEB Liability Deferred Inflows	125,386	-	125,386
<b>Total Deferred Inflows of Resources</b>	<u>125,386</u>	<u>-</u>	<u>125,386</u>
<b>Total Liabilities and Deferred Inflows</b>	<u>750,183</u>	<u>57,022</u>	<u>807,205</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,368,272	1,322,829	3,691,101
Restricted for:			
Special Revenue Funds	81,919	-	81,919
Capital Projects	11	-	11
Unrestricted	(306,616)	32,871	(273,745)
<b>Total Net Position</b>	<u>2,143,586</u>	<u>1,355,700</u>	<u>3,499,286</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 2,893,769</u>	<u>\$ 1,412,722</u>	<u>\$ 4,306,491</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, 2019**

	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<i>Primary Government</i>				
<b>Governmental Activities:</b>				
General Administration	\$ 246,426	\$ 5,769	\$ 176,853	\$ 10,427
Culture and Recreation	118,097	14,730	7,510	25,562
Senior Center	107,918	-	27,823	2,964
Health and Welfare	22,360	-	18,500	-
Public Safety	649,198	266,215	119,932	61,047
Judicial	39,970	-	-	-
Cemetery	330	2,361	-	-
Interest and Administrative Fees	5,358	-	-	-
Depreciation	373,680	-	-	-
<i>Total Governmental Activities</i>	<u>1,563,337</u>	<u>289,075</u>	<u>350,618</u>	<u>100,000</u>
<b>Business-Type Activities:</b>				
Joint Utility Fund	<u>499,369</u>	<u>382,706</u>	<u>-</u>	<u>-</u>
<i>Total Business-Type Activities</i>	<u>499,369</u>	<u>382,706</u>	<u>-</u>	<u>-</u>
<b>Total - Primary Government</b>	<u>\$ 2,062,706</u>	<u>\$ 671,781</u>	<u>\$ 350,618</u>	<u>\$ 100,000</u>

**General Revenues**

Taxes:

- Gross Receipts
- Franchise
- Property
- Gasoline
- Motor Vehicle
- Miscellaneous
- Interest

**Total General Revenues**

Change in Net Position Before Transfers

**Transfers, Net**

**Change in Net Position After Transfers**

**Net Position Beginning of Year**

**Net Position End of Year**

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (53,377)	\$ -	\$ (53,377)
(70,295)	-	(70,295)
(77,131)	-	(77,131)
(3,860)	-	(3,860)
(202,004)	-	(202,004)
(39,970)	-	(39,970)
2,031	-	2,031
(5,358)	-	(5,358)
<u>(373,680)</u>	<u>-</u>	<u>(373,680)</u>
<u>(823,644)</u>	<u>-</u>	<u>(823,644)</u>
<u>-</u>	<u>(116,663)</u>	<u>(116,663)</u>
<u>-</u>	<u>(116,663)</u>	<u>(116,663)</u>
<u>(823,644)</u>	<u>(116,663)</u>	<u>(940,307)</u>
339,473	9,603	349,076
26,878	-	26,878
24,991	-	24,991
45,896	-	45,896
27,210	-	27,210
14,091	16,134	30,225
38	-	38
<u>478,577</u>	<u>25,737</u>	<u>504,314</u>
(345,067)	(90,926)	(435,993)
<u>(19,543)</u>	<u>19,543</u>	<u>-</u>
(364,610)	(71,383)	(435,993)
<u>2,508,196</u>	<u>1,427,083</u>	<u>3,935,279</u>
<u>\$ 2,143,586</u>	<u>\$ 1,355,700</u>	<u>\$ 3,499,286</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, 2019**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 135,111	\$ 59,876	\$ 22,034	\$ 217,021
NMFA Cash Deposits	-	-	220	220
Taxes Receivable:				
Gross Receipts	57,061	-	-	57,061
Property	2,505	-	-	2,505
Franchise	4,931	-	-	4,931
Gasoline	7,585	-	-	7,585
<b>TOTAL ASSETS</b>	<u><u>\$ 207,193</u></u>	<u><u>\$ 59,876</u></u>	<u><u>\$ 22,254</u></u>	<u><u>\$ 289,323</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,175	\$ -	\$ -	\$ 8,175
Accrued Payroll Liabilities	10,433	-	-	10,433
Accrued Salaries	22,703	100	100	22,903
<b>Total Liabilities</b>	<u>41,311</u>	<u>100</u>	<u>100</u>	<u>41,511</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Taxes	733	-	-	733
<b>Total Deferred Inflows of Resources</b>	<u>733</u>	<u>-</u>	<u>-</u>	<u>733</u>
 <b>FUND BALANCES</b>				
Restricted for:				
Fire Protection	-	59,776	-	59,776
Capital Projects	-	-	11	11
Emergency Services	-	-	5,918	5,918
Public Safety	-	-	16,225	16,225
Unassigned	165,149	-	-	165,149
<b>Total Fund Balances</b>	<u>165,149</u>	<u>59,776</u>	<u>22,154</u>	<u>247,079</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 207,193</u></u>	<u><u>\$ 59,876</u></u>	<u><u>\$ 22,254</u></u>	<u><u>\$ 289,323</u></u>

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
RECONCILIATION OF GOVERNMENTAL FUNDS  
FUND BALANCES TO GOVERNMENT ACTIVITIES  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**Total Fund Balance - Governmental Funds** \$ 247,079

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 2,447,644

Certain assets are not collectible in the current period and therefore are not reported in the Governmental Funds. Those receivables include:  
Property Taxes Receivable 733

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	12,660	
Deferred OPEB Outflows	144,142	
Deferred OPEB Inflows	(125,386)	
Net OPEB Liability	(485,276)	
Accrued Vacation	(18,638)	
Notes Payable	(79,372)	
	(551,870)	(551,870)

**Net Position of Governmental Activities** **\$ 2,143,586**

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	General Fund	Fire Protection Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Charges for Service	\$ 1,137	\$ -	\$ -	\$ 1,137
Taxes				
Gross Receipts	339,473	-	-	339,473
Franchise	26,878	-	-	26,878
Property	25,953	-	-	25,953
Motor Vehicle	27,210	-	-	27,210
Gasoline	45,896	-	-	45,896
Intergovernmental				
Federal	9,000	-	-	9,000
State	151,692	79,852	28,200	259,744
Local	148,366	11,500	11,500	171,366
Fines and Forfeits	226,646	-	39,569	266,215
Licenses and Permits	4,632	-	-	4,632
Interest Income		38	-	38
Cemetery Lots	2,361	-	-	2,361
Rental and Recreation	14,730			14,730
Donations	10,508		-	10,508
Other Income	8,672	5,419	-	14,091
<b>Total Revenues</b>	<u>1,043,154</u>	<u>96,809</u>	<u>79,269</u>	<u>1,219,232</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Administration	228,790	-		228,790
Culture and Recreation	118,097	-		118,097
Senior Center	107,918	-		107,918
Health and Welfare		-	22,360	22,360
Public Safety	525,733	85,611	37,854	649,198
Judicial	39,970	-		39,970
Cemetery	330			330
<b>Debt Service</b>				
Principal	30,857	-	14,364	45,221
Interest and Administrative Fees	5,095		263	5,358
<b>Capital Outlay</b>	<u>122,109</u>	<u>-</u>	<u>-</u>	<u>122,109</u>
<b>Total Expenditures before Transfers</b>	<u>1,178,899</u>	<u>85,611</u>	<u>74,841</u>	<u>1,339,351</u>
<b>Change in Fund Balance Before Transfers</b>	<u>(135,745)</u>	<u>11,198</u>	<u>4,428</u>	<u>(120,119)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds		-	-	-
Transfers In		447	14,605	15,052
Transfers Out	(34,595)	-	-	(34,595)
<b>Total Other Financing Sources (Uses)</b>	<u>(34,595)</u>	<u>447</u>	<u>14,605</u>	<u>(19,543)</u>
<b>Net Change in Fund Balance after Transfers</b>	(170,340)	11,645	19,033	(139,662)
<b>Fund Balance, Beginning of Year</b>	<u>335,489</u>	<u>48,131</u>	<u>3,121</u>	<u>386,741</u>
<b>Fund Balance, End of Year</b>	<u>\$ 165,149</u>	<u>\$ 59,776</u>	<u>\$ 22,154</u>	<u>\$ 247,079</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, 2019**

<b>Net Changes in Fund Balance - Governmental Funds</b>	<b>\$</b>	<b>(139,662)</b>
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.		122,109
Net Change in Deferred Outflows of Resources in Property Taxes		(962)
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.		(373,680)
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	45,221	
Net Change in OPEB Liability	(17,739)	
Change in Accrued Vacation	103	
	27,585	
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(364,610)</b>



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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service	\$ 8,925	\$ 10,131	\$ 1,137	\$ (8,994)
Taxes			-	-
Gross Receipts	332,889	332,889	337,149	4,260
Franchise	27,000	27,000	25,361	(1,639)
Property	27,500	27,500	24,181	(3,319)
Motor Vehicle	25,000	25,000	27,210	2,210
Gasoline	44,000	44,000	42,368	(1,632)
Intergovernmental				
Federal	-	-	9,000	9,000
State	145,998	145,998	151,692	5,694
Local	-	-	148,366	148,366
Fines and Forfeits	138,451	185,451	226,646	41,195
Licenses and Permits	3,400	3,400	4,632	1,232
Cemetery Lots	-	-	2,361	2,361
Other Income	64,972	256,972	8,672	(248,300)
<b>Total Revenues</b>	<u>818,135</u>	<u>1,058,341</u>	<u>1,008,775</u>	<u>(40,572)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Administration	187,744	237,743	220,622	17,121
Culture and Recreation	119,035	120,050	118,097	1,953
Senior Center	89,250	90,790	107,918	(17,128)
Public Safety	393,438	527,234	500,825	26,409
Judicial	25,818	56,103	39,970	16,133
Debt Service				
Principal	-	30,858	30,857	1
Interest and Administrative Fees	-	5,095	5,095	-
Capital Outlay	-	116,907	122,109	(5,202)
<b>Total Expenditures</b>	<u>815,285</u>	<u>1,184,780</u>	<u>1,145,493</u>	<u>39,287</u>
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(29,280)	(34,595)	(5,315)
<b>Total Other Financing Uses (Sources)</b>	<u>-</u>	<u>(29,280)</u>	<u>(34,595)</u>	<u>(5,315)</u>
<b>Net Change in Fund Balance</b>	<u>2,850</u>	<u>(155,719)</u>	<u>(171,313)</u>	<u>(6,600)</u>
<b>Cash Balance, Beginning of Year</b>	<u>306,424</u>	<u>306,424</u>	<u>306,424</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 309,274</u>	<u>\$ 150,705</u>	<u>\$ 135,111</u>	<u>\$ (6,600)</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			\$ (171,313)	
Changes in:				
Taxes Receivable:				
Gross Receipts			2,324	
Property			810	
Franchise			1,517	
Gasoline			3,528	
Accrued Payroll Liabilities			(7,525)	
Accrued Salaries			(643)	
Deferred Property Taxes			962	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ (170,340)</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental				
State	\$ 55,501	\$ 79,655	\$ 79,852	\$ 197
Local	-	-	11,500	11,500
Interest Income	-	-	38	38
Miscellaneous	<u>14,350</u>	<u>20,154</u>	<u>5,419</u>	<u>(14,735)</u>
<b>Total Revenues</b>	69,851	99,809	96,809	(3,000)
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	<u>64,892</u>	<u>110,767</u>	<u>99,015</u>	<u>11,752</u>
<b>Total Expenditures</b>	<u>64,892</u>	<u>110,767</u>	<u>99,015</u>	<u>11,752</u>
<b>Net Change in Fund Balance</b>	4,959	(10,958)	(2,206)	8,752
<b>Cash Balance, Beginning of Year</b>	<u>62,082</u>	<u>62,082</u>	<u>62,082</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 67,041</u>	<u>\$ 51,124</u>	<u>\$ 59,876</u>	<u>\$ 8,752</u>
<b>Reconciliation to GAAP Basis</b>				
Excess of Revenues over Expenditures - Budget Basis			\$ (2,206)	
Changes in:				
Accounts Payable			<u>13,851</u>	
<b>Excess of Revenues over Expenditures - GAAP Basis</b>			<u>\$ 11,645</u>	

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019**

	<b>Joint Utility Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 29,820
Accounts Receivable, Net	34,451
Environmental Gross Receipts Tax Receivable	<u>2,837</u>
<b>Total Current Assets</b>	<u>67,108</u>
<b>Noncurrent Assets</b>	
Restricted Cash - Meter Deposits	22,785
Capital Assets, Net	<u>1,322,829</u>
<b>Total Noncurrent Assets</b>	<u>1,345,614</u>
<b>Total Assets</b>	<u><u>\$ 1,412,722</u></u>
<b>LIABILITIES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 21,223
Accrued Payroll	<u>3,302</u>
<b>Total Current Liabilities</b>	<u>24,525</u>
<b>Noncurrent Liabilities</b>	
Accrued Vacation	4,697
Customer Deposits	<u>27,800</u>
<b>Total Noncurrent Liabilities</b>	<u>32,497</u>
<b>Total Liabilities</b>	<u>57,022</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,322,829
Unrestricted	<u>32,871</u>
<b>Total Fund Net Position</b>	<u>1,355,700</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 1,412,722</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 FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Joint Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water and Sewer	\$ 347,004
Solid Waste	34,025
Fines, Fees, Reconnections	150
Other Revenue	1,527
	382,706
<b>OPERATING EXPENSES</b>	
Personnel Services and Benefits	86,880
Utilities	19,172
Disposal Contract	176,732
Professional and Contracted Services	7,457
Repairs and Maintenance, Supplies and Materials	53,816
Insurance	57,953
Gross Receipts Tax Paid	23,069
Other Operating Expenses	9,671
Depreciation	64,619
	499,369
<b>Operating Loss</b>	(116,663)
<b>NONOPERATING REVENUES</b>	
County Grant	16,134
Environmental Gross Receipts Tax	9,603
Transfers In	19,543
	45,280
<b>Change in Net Position</b>	(71,383)
<b>Net Position, Beginning of Year</b>	1,427,083
<b>Net Position, End of Year</b>	\$ 1,355,700

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

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Joint Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers and Users	\$ 382,524
Payments to and on Behalf of Employees	(84,404)
Payments to Suppliers and Contractors	(347,870)
Other Receipts	2,866
	<u>          </u>
Net Cash Used by Operating Activities	(46,884)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental Receipts	8,021
County Grant	16,134
Transfers In	19,543
	<u>          </u>
Net Cash Provided by Non Capital Financing Activities	43,698
<b>NET CHANGE IN CASH</b>	(3,186)
<b>CASH AT BEGINNING OF YEAR</b>	<u>55,791</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 52,605</u>
 <b>Reconciliation of Operating Loss to Net Cash</b>	
<b>Used by Operating Activities</b>	
Operating Loss	\$ (116,663)
Adjustments to Reconcile Operating Loss to Cash	
Used by Operating Activities:	
Depreciation	64,619
Changes In:	
Accounts Receivable	1,345
Accrued Payroll	(725)
Accrued Vacation	3,201
Customer Deposits	1,339
	<u>          </u>
Net Cash Used by Operating Activities	<u>\$ (46,884)</u>
 <b>Reconciliation to the Balance Sheet</b>	
Unrestricted	\$ 29,820
Restricted	22,785
	<u>          </u>
<b>CASH AT END OF YEAR</b>	<u>\$ 52,605</u>

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, 2019**

	<b>Motor Vehicle Clearing</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,061
<b>Total Assets</b>	<u>\$ 1,061</u>
<b>LIABILITIES</b>	
Due to Other Agencies	\$ 1,061
<b>Total Liabilities</b>	<u>\$ 1,061</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019.

**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, 2019**

**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, 2019**

**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, 2019**

**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.

**Fiduciary Funds** - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the Village's programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. The fiduciary fund consists of the following fund:

The **MVD Fund** accounts for assets held by the Village as an agent for the Motor Vehicle Department. The intent of the fund is to give the citizens an option to conduct State business within the Town Hall.

**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.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

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.

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 Corrections Fund by approximately \$5,477.

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

**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.

**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.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**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 adjusts the account accordingly.

**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:

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

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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, 2019.

**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.

**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.

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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.

**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.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**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.

**GASBS No. 77 – Tax Abatement Disclosure** – The object of this statement is to assist the users of state and local government financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as inter-period equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The statement will not have a material impact on the Town’s financial statements. The Town is not a party to any tax abatement agreements that need to be disclosed as required by GASB 77 during the 2019 fiscal year.

**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, 2019, 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, 2019, of the cash and cash equivalents.

	<b>Bank Balance June 30, 2019</b>	<b>Net Items Outstanding</b>	<b>Book Balance June 30, 2019</b>
<b>Demand Deposit Accounts:</b>			
<b>Western Commerce Bank:</b>			
Operational Pooled Cash	\$ 135,302	\$ (3,737)	\$ 131,565
Detention	16,837	(1,035)	15,802
201 Ambulance Fund	5,944	-	5,944
209 Ambulance Fund	74	-	74
County Fire Protection Fund	22,947	(24)	22,923
LEPF Fund	1	-	1
Municipal Court/Corrections	202	-	202
Senior Center Advisory Fund	3,546	-	3,546
Municipal Utility Fund	37,727	(7,907)	29,820
Water Meter Deposits	22,785	-	22,785
CDBG Fund	11	-	11
MVD Clearing (Agency Fund)	<u>1,061</u>	<u>-</u>	<u>1,061</u>
Total Western Commerce	246,437	(12,703)	233,734
<b>Lea County State Bank:</b>			
State Fire Protection Fund	<u>37,045</u>	<u>(92)</u>	<u>36,953</u>
Total Cash and Cash Equivalents	<u>\$ 283,482</u>	<u>\$ (12,795)</u>	<u>\$ 270,687</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Reconciliation to the Statement of Net Position** - Of the \$270,687 carrying value of cash and cash equivalents for the Town, \$1,061 is held for an Agency Fund. The remaining \$269,626 includes approximately \$22,785 of restricted cash in the Water Fund for customer deposits, leaving approximately \$246,841 in unrestricted cash as noted in the Statement of Net Position.

**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, 2019, 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	\$ 246,437	\$ 37,045	\$ 283,482
Less FDIC/NCUA Coverage	<u>(246,437)</u>	<u>(37,045)</u>	<u>(283,482)</u>
Uninsured Funds	-	<u>\$ -</u>	-
Pledged Collateral Securities	<u>182,898</u>		<u>182,898</u>
Uninsured and Uncollateralized	<u>\$ -</u>		<u>\$ -</u>
50% Pledged Collateral Requirement per Statute	\$ -		\$ -
Pledged Collateral	<u>182,898</u>		<u>182,898</u>
(Over) Under Collateralized	<u>\$ (182,898)</u>		<u>\$ (182,898)</u>

<b>Western Commerce Bank Pledged Collateral:</b>	<b>Maturity</b>	<b>Market Value</b>	<b>Par Value</b>
FNMA – #770744	04/01/2034	\$ 85,662	\$ 81,610
FNMA Gold - #G02198	05/01/2036	<u>97,236</u>	<u>91,297</u>
Total Collateral		<u>\$ 182,898</u>	<u>\$ 172,907</u>

**New Mexico Finance Authority Deposits** - The Town has approximately \$220 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.



**STATE OF NEW MEXICO  
TOWN OF TATUM  
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JUNE 30, 2019**

**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	\$ 57,061
Property Tax	2,505
Franchise	4,931
Gasoline	<u>7,585</u>
Total Taxes Receivable	<u>\$ 72,082</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 \$2,837 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	\$ 34,773
Less Allowance for Doubtful Accounts	<u>(322)</u>
Accounts Receivables - Net	<u>\$ 34,451</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 \$34,595 out of the General Fund, of which approximately \$447 was moved into the Fire Protection Fund, \$7,476 to the Correction Fund, \$7,129 to the EMS Fund, and the remaining \$19,543 to the Joint Utility Fund. These transfers were to support operations within each respective fund. There were no interfund receivables or payables at fiscal year-end.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
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JUNE 30, 2019**

**NOTE E - CAPITAL ASSETS**

The following capital asset activity for the Town for the year ended June 30, 2019 is as follows:

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</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	122,109	-	3,190,177
Land Improvements	1,164,608	-	-	1,164,608
Equipment	615,093	-	-	615,093
Vehicles	<u>1,994,513</u>	-	-	<u>1,994,513</u>
Total Depreciable Capital Assets	<u>6,842,282</u>	<u>122,109</u>	-	<u>6,964,391</u>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(2,244,597)	(73,637)	-	(2,318,234)
Land Improvements	(570,195)	(53,157)	-	(623,352)
Equipment	(334,108)	(43,186)	-	(377,294)
Vehicles	<u>(1,054,535)</u>	<u>(203,700)</u>	-	<u>(1,258,235)</u>
Accumulated Depreciation	<u>(4,203,435)</u>	<u>(373,680)</u>	-	<u>(4,577,115)</u>
Total Depreciable Capital Assets, Net	<u>2,638,847</u>	<u>(251,571)</u>	-	<u>2,387,276</u>
Capital Assets, Net	<u>\$ 2,699,215</u>	<u>\$ (251,571)</u>	<u>\$ -</u>	<u>\$ 2,447,644</u>

Management has elected to present the Governmental Activities depreciation expense of \$373,680 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, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</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>2,091,729</u>	-	-	<u>2,091,729</u>
Total Depreciable Capital Assets	<u>2,918,608</u>	-	-	<u>2,918,608</u>
<b>Accumulated Depreciation</b>				
Equipment	(766,079)	(22,462)	-	(788,541)
Water System	<u>(773,401)</u>	<u>(42,157)</u>	-	<u>(815,558)</u>
Total Accumulated Depreciation	<u>(1,539,480)</u>	<u>(64,619)</u>	-	<u>(1,604,099)</u>
Total Depreciable Capital Assets, Net	<u>1,379,128</u>	<u>(64,619)</u>	-	<u>1,314,509</u>
Capital Assets, Net	<u>\$ 1,387,448</u>	<u>\$ (64,619)</u>	<u>\$ -</u>	<u>\$ 1,322,829</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
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**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 long-term 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, 2019 is detailed below. Vacation for the governmental activities are paid by the respective funds to which the employee is assigned in the Governmental Funds. The Utility Fund incurs the expenditures for the Business-type activities for the employees assigned to that fund.

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>
Governmental Activities	\$ 18,741	\$ 43,356	\$ (43,459)	\$ 18,638
Business-type Activities	<u>1,496</u>	<u>6,560</u>	<u>(3,359)</u>	<u>4,697</u>
Total	<u>\$ 20,237</u>	<u>\$ 49,916</u>	<u>\$ (46,818)</u>	<u>\$ 23,335</u>

**NOTE G - LONG-TERM DEBT**

The Town had the following long-term debt obligations as of June 30, 2019:

**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 \$263 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 is paid out of the General Fund. The Town paid approximately \$5,095 in interest on the capital lease during the fiscal year.

Long-term debt activity for the fiscal year ended June 30, 2019 was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Payable</b>
	<b>June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2019</b>	<b>Within One</b>
					<b>Year</b>
NMFA 2751-PP	\$ 28,948	\$ -	\$ (14,364)	\$ 14,584	\$ 14,584
Ally Capital Lease	<u>95,645</u>	<u>-</u>	<u>(30,857)</u>	<u>64,788</u>	<u>32,838</u>
Total	<u>\$ 124,593</u>	<u>\$ -</u>	<u>\$ (45,221)</u>	<u>\$ 79,372</u>	<u>\$ 47,422</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
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JUNE 30, 2019**

**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			Ally Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 14,584	\$ 260	\$ 14,844	\$ 32,838	\$ 3,114	\$ 35,952
2021	-	-	-	31,950	1,006	32,956
	<u>\$ 14,584</u>	<u>\$ 260</u>	<u>\$ 14,844</u>	<u>\$ 64,788</u>	<u>\$ 4,120</u>	<u>\$ 68,908</u>

**NOTE H - PERA PENSION PLAN**

The Town does not participate in the State of New Mexico PERA retirement plan and therefore is not required to implement GASB 68.

**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, 2019 was approximately \$3,005.

**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, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

<b>Plan Membership</b>	
Current Retirees and Surviving Spouses	51,205
Inactive and Eligible for Deferred Benefit	11,471
Current Active Members	<u>93,349</u>
Total Plan Membership	<u>156,025</u>
<b>Active Membership</b>	
State General	19,593
State Police and Corrections	1,886
Municipal General	17,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
Total Active Membership	<u>93,349</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 \$12,660 for the year ended June 30, 2019.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - At June 30, 2019, the Town reported a liability of \$485,276 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Town’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the Town’s proportion was 0.01116%.

For the year ended June 30, 2019, the Town recognized net amortized OPEB expense of \$29,893. At June 30, 2019, 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	\$ -	\$ 90,599
Changes in Proportion	144,142	-
Differences Between Expected and Actual Experience	-	28,731
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	6,056
Post Measurement Date Employer Contributions	<u>12,660</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 156,802</u></b>	<b><u>\$ 125,386</u></b>

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

Deferred outflows of resources totaling \$12,660 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, 2020. 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>	
2020	\$ (1,319)
2021	(1,319)
2022	(1,319)
2023	5,937
2024	<u>16,776</u>
<b>Totals</b>	<b><u>\$ 18,756</u></b>

**Actuarial assumptions** – The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, level percent 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	3.25% to 12.50% based on years of service, including imflation
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
Mortality	ERB Member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females); PERA Members: RP-2000 Combined Healthy Mortality

**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	2.1%
US Equity – Large Cap	7.1
Non-US – Emerging Markets	10.2
Non-US – Developed Equities	7.8
Private Equity	11.8
Credit & Structured Finance	5.3
Real Estate	4.9
Absolute Return	4.1
US Equity – Small/Mid Cap	7.1

**Discount Rate** - The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<b>Proportionate Share of Net Pension Liability</b>	<b>1% Decrease (3.08%)</b>	<b>Current Discount Rate (4.08%)</b>	<b>1% Increase (5.08%)</b>
	<u>\$ 587,299</u>	<u>\$ 485,276</u>	<u>\$ 404,860</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 (3.08%)</b>	<b>Current Trend Rate (4.08%)</b>	<b>1% Increase (5.08%)</b>
	<u>\$ 410,229</u>	<u>\$ 485,276</u>	<u>\$ 544,115</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019.

**Payable Changes in the Net OPEB Liability** - The Town had no amount due to NMRHCA for the year ended June 30, 2019.



**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>6/30/19</b>
<b>Proportionate Share of OPEB Liability</b>		
Proportion of OPEB Liability	0.00802%	0.01116%
OPEB Liability	\$ 363,440	\$ 485,276
Annual Covered Payroll	509,860	478,833
OPEB Liability as Percentage of Covered Payroll	71%	101.35%
Fiduciary Net Position as a Percentage of Total Pension Liability	11.34%	13.14%
<b>Schedule of Required Contributions</b>		
Contractually Required Contribution	10,037	17,439
Contributions Made	10,037	17,226
Contributions as Percentage of Covered Payroll	2%	3.60%

\*This schedule is 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 available years.

## **SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO**  
**TOWN OF TATUM**  
**NONMAJOR FUND DESCRIPTIONS**  
**JUNE 30, 2019**

**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.

**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, 2019**

	<u>Special Revenue Funds</u>			<b>Capital Projects CDBG Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Corrections Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Law Protection Fund</b>		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 16,004	\$ 6,018	\$ 1	\$ 11	\$ 22,034
NMFA Cash Deposits	-	-	220	-	220
<b>Total Assets</b>	<u>\$ 16,004</u>	<u>\$ 6,018</u>	<u>\$ 221</u>	<u>\$ 11</u>	<u>\$ 22,254</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accrued Salaries	\$ -	\$ 100	\$ -	\$ -	\$ 100
<b>Total Liabilities</b>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>100</u>
<b>FUND BALANCES</b>					
Restricted For:					
Capital Projects	-	-	-	11	11
Emergency Services	-	5,918	-	-	5,918
Public Safety	16,004	-	221	-	16,225
<b>Total Fund Balances</b>	<u>16,004</u>	<u>5,918</u>	<u>221</u>	<u>11</u>	<u>22,154</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 16,004</u>	<u>\$ 6,018</u>	<u>\$ 221</u>	<u>\$ 11</u>	<u>\$ 22,254</u>

**STATE OF NEW MEXICO  
TOWN OF TATUM  
COMBINED SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue Funds</u>			<b>Capital Projects CDBG Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Corrections Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Law Enforcement Protection Fund</b>		
<b>REVENUES</b>					
Intergovernmental					
State	\$ -	\$ 7,000	\$ 21,200	\$ -	\$ 28,200
Local	-	11,500	-	-	11,500
Fines and Forfeits	<u>39,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,569</u>
<b>Total Revenues</b>	<u>39,569</u>	<u>18,500</u>	<u>21,200</u>	<u>-</u>	<u>79,269</u>
<b>EXPENDITURES</b>					
Current					
Health and Welfare	-	22,360	-	-	22,360
Public Safety	31,243	-	6,611	-	37,854
Debt Service					
Principal	-	-	14,364	-	14,364
Interest and Administrative Fees	<u>-</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>263</u>
<b>Total Expenditures</b>	<u>31,243</u>	<u>22,360</u>	<u>21,238</u>	<u>-</u>	<u>74,841</u>
<b>Change in Fund Balance before Transfers</b>	<u>8,326</u>	<u>(3,860)</u>	<u>(38)</u>	<u>-</u>	<u>4,428</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	<u>7,476</u>	<u>7,129</u>	<u>-</u>	<u>-</u>	<u>14,605</u>
<b>Total Other Financing Sources (Uses)</b>	<u>7,476</u>	<u>7,129</u>	<u>-</u>	<u>-</u>	<u>14,605</u>
<b>Net Change in Fund Balance after Transfers</b>	15,802	3,269	(38)	-	19,033
<b>Fund Balance, Beginning of Year</b>	<u>202</u>	<u>2,649</u>	<u>259</u>	<u>11</u>	<u>3,121</u>
<b>Fund Balance, End of Year</b>	<u>\$ 16,004</u>	<u>\$ 5,918</u>	<u>\$ 221</u>	<u>\$ 11</u>	<u>\$ 22,154</u>

**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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Fines and Forfeits	\$ 25,525	\$ 42,569	\$ 39,569	\$ (3,000)
<b>Total Revenues</b>	25,525	42,569	39,569	(3,000)
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	18,540	25,766	31,243	(5,477)
<b>Total Expenditures</b>	18,540	25,766	31,243	(5,477)
<b>Net Change in Fund Balance Before Transfers</b>	6,985	16,803	8,326	(8,477)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	7,476	7,476
<b>Total Other Financing Sources (Uses)</b>	-	-	7,476	7,476
<b>Net Change in Fund Balance after Transfers</b>	6,985	16,803	15,802	(1,001)
<b>Cash Balance, Beginning of Year</b>	202	202	202	-
<b>Cash Balance, End of Year</b>	<u>\$ 14,172</u>	<u>\$ 33,808</u>	<u>\$ 16,004</u>	<u>\$ (1,001)</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			<u>\$ 15,802</u>	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ 15,802</u>	

**STATE OF NEW MEXICO  
TOWN OF TATUM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMERGENCY MEDICAL SERVICES FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Intergovernmental				
State	7,112	7,000	7,000	-
Local	<u>14,350</u>	<u>11,500</u>	<u>11,500</u>	<u>-</u>
<b>Total Revenues</b>	21,462	18,500	18,500	-
<b>EXPENDITURES</b>				
<b>Current</b>				
Health and Welfare	<u>20,893</u>	<u>35,447</u>	<u>23,684</u>	<u>11,763</u>
<b>Total Expenditures</b>	<u>20,893</u>	<u>35,447</u>	<u>23,684</u>	<u>11,763</u>
<b>Net Change in Fund Balance Before Transfers</b>	569	(16,947)	(5,184)	11,763
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>7,129</u>	<u>7,129</u>
<b>Total Other Financing Sources (Uses)</b>			<u>7,129</u>	<u>7,129</u>
<b>Net Change in Fund Balance after Transfers</b>			1,945	18,892
<b>Cash Balance, Beginning of Year</b>	<u>4,073</u>	<u>4,073</u>	<u>4,073</u>	<u>-</u>
<b>Cash Balance, End of Year</b>	<u>\$ 4,642</u>	<u>\$ (12,874)</u>	<u>\$ 6,018</u>	<u>\$ 18,892</u>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance after Transfers - Budget Basis</b>			\$ 1,945	
Change in:				
Accounts Payable			<u>1,324</u>	
<b>Net Change in Fund Balance after Transfers - GAAP Basis</b>			<u>\$ 3,269</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)  
LAW ENFORCEMENT PROTECTION FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental				
State	\$ 21,200	\$ 21,200	\$ 21,200	\$ -
Miscellaneous	204	204	-	(204)
<b>Total Revenues</b>	<b>21,404</b>	<b>21,404</b>	<b>21,200</b>	<b>(204)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Safety	6,574	6,755	6,611	144
<b>Debt Service</b>				
Principal	-	14,364	14,364	-
Interest and Administrative Fees	-	480	263	217
<b>Total Expenditures</b>	<b>6,574</b>	<b>21,599</b>	<b>21,238</b>	<b>361</b>
<b>Net Change in Fund Balance</b>	<b>14,830</b>	<b>(195)</b>	<b>(38)</b>	<b>157</b>
<b>Cash Balance, Beginning of Year</b>	<b>259</b>	<b>259</b>	<b>259</b>	<b>-</b>
<b>Cash Balance, End of Year</b>	<b>\$ 15,089</b>	<b>\$ 64</b>	<b>\$ 221</b>	<b>\$ 157</b>
<b>Reconciliation to GAAP Basis</b>				
<b>Net Change in Fund Balance - Budget Basis</b>			<u>\$ (38)</u>	
<b>Net Change in Fund Balance - GAAP Basis</b>			<u>\$ (38)</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, 2019**

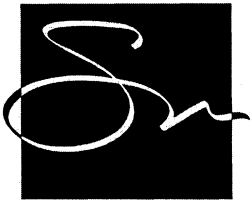
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Charges for Services				
Water and Sewer	411,341	388,254	\$ 348,349	\$ (39,905)
Solid Waste	-	-	34,025	34,025
Fines, Fees, Reconnections	-	-	150	150
Other Revenue	-	-	2,866	2,866
<b>Total Operating Revenues</b>	<b>411,341</b>	<b>388,254</b>	<b>385,390</b>	<b>(2,864)</b>
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Personnel Services and Benefits	112,413	108,892	84,404	24,488
Utilities		-	19,172	(19,172)
Disposal Contract		-	176,732	(176,732)
Professional and Contracted Services	5,887	8,172	7,457	715
Repairs and Maintenance, Supplies and Materials	29,295	31,761	53,816	(22,055)
Insurance		-	57,953	(57,953)
Gross Receipts Tax Paid		-	23,069	(23,069)
Other Operating Expenses	221,399	258,941	9,671	249,270
<b>Debt Service</b>	16,860	23,069	-	23,069
<b>Capital Outlay</b>		4,634	-	4,634
<b>Total Operating Expenses</b>	<b>385,854</b>	<b>435,469</b>	<b>432,274</b>	<b>3,195</b>
<b>Operating Income</b>	<b>25,487</b>	<b>(47,215)</b>	<b>(46,884)</b>	<b>331</b>
<b>NONOPERATING REVENUE</b>				
Grants and Contributions	-	16,134	16,134	-
Environmental Gross Receipts Tax	8,851	8,022	8,021	(1)
Transfers In	-		19,543	19,543
<b>Total Nonoperating Revenue</b>	<b>8,851</b>	<b>24,156</b>	<b>43,698</b>	<b>19,542</b>
<b>Change in Net Position</b>	<b>34,338</b>	<b>(23,059)</b>	<b>(3,186)</b>	<b>19,873</b>
<b>Cash - Beginning of Year</b>	<b>55,791</b>	<b>55,791</b>	<b>55,791</b>	<b>-</b>
<b>Cash - End of Year</b>	<b>\$ 90,129</b>	<b>\$ 32,732</b>	<b>\$ 52,605</b>	<b>\$ 59,288</b>
<b>Reconciliation to GAAP Basis</b>				
<b>Change in Net Position - Budget Basis</b>			<b>\$ (3,186)</b>	
Depreciation			(64,619)	
Capital Outlay			-	
Change in:				
Accounts Receivable			(1,345)	
Environmental Gross Receipts Tax Receivable			1,582	
Accrued Payroll			725	
Accrued Vacation			(3,201)	
Customer Deposits			(1,339)	
<b>Change in Net Position - GAAP Basis</b>			<b>\$ (71,383)</b>	

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, 2019**

	<b>Balance 06/30/18</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/19</b>
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ 1,406</u>	<u>\$ 220,215</u>	<u>\$ (220,560)</u>	<u>\$ 1,061</u>
<b>Total Assets</b>	<u><u>\$ 1,406</u></u>	<u><u>\$ 220,215</u></u>	<u><u>\$ (220,560)</u></u>	<u><u>\$ 1,061</u></u>
 <b>LIABILITIES</b>				
<b>LIABILITIES</b>				
Due to Other Agencies	<u>\$ 1,406</u>	<u>\$ 220,215</u>	<u>\$ (220,560)</u>	<u>\$ 1,061</u>
<b>Total Liabilities</b>	<u><u>\$ 1,406</u></u>	<u><u>\$ 220,215</u></u>	<u><u>\$ (220,560)</u></u>	<u><u>\$ 1,061</u></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***

Brian Colón, 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, 2019, 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, 2019, as listed in the table of contents and have issued our report thereon dated October 30, 2019.

**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 2019-002.

## 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 item 2019-001 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  
October 30, 2019

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SUMMARY OF AUDITOR RESULTS:**

**Financial Statements:**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a) Material weaknesses identified?   | No         |
| b) Significant deficiencies identified not considered to be material weaknesses? | Yes (1)    |
| c) Noncompliance material to the financial statements noted?                     | No         |
| d) Other Non-compliance  | Yes (1)    |

**FINANCIAL STATEMENT FINDINGS**

*CURRENT YEAR FINDINGS:*

**2019-001 (2017-001) - Legal Compliance with Budget – Other Non-Compliance (Revised and Repeated)**

**CONDITION** - The Town's actual expenditures exceeded authorized budgetary expenditures in the Corrections Fund by approximately \$5,477.

**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 two 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 Correction Fund final budget was not adjusted for additional operational expenditures.

**EFFECT** - The Town may not have accurate information for planning activities and cash flows in the funds that exceed their 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 2020 fiscal year final budget against the actual expenditures and recommend any necessary budget adjustments before finalizing the budget for the fiscal year. This finding should be resolved by the July 31st final budget submission deadline for the 2020 Fiscal Year.

**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**2019-002 (2018-003) – Ambulance Billing and Revenue – Significant Deficiency – (Revised and Repeated)**

**CONDITION** - The Town's ambulance service had not billed out approximately 16 of the 18 runs during the fiscal year, potentially losing a minimum of approximately \$4,620 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.

**PROGRESS ON RESOLVING PRIOR YEAR FINDING** – The Town has not made any progress in resolving the ambulance billing issue. The delay in billing stems from the completion the run narrative which is crucial to be able to close and bill the run to the proper insurance company.

**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 is forfeiting potential revenue which would help support the EMS system in the Town.

**RECOMMENDATION** - The Town needs to either stress the importance of completing the run file within the appropriate time frame to the volunteer assigned the responsibility or reassign the responsibility to another volunteer that is certified and capable of completing the assignments.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** - It is moderately difficult to find and retain licensed medical personnel in a rural municipality. The Town has another volunteer which has passed the EMT-B certification and is mostly likely to be assigned the responsibility to finalize the run files. Once the responsibility is reassigned, the ambulance runs can be submitted for payment. This finding should be resolved by January 2020.



**STATE OF NEW MEXICO  
TOWN OF TATUM  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS:**

*PRIOR YEAR FINDINGS:*

2018-001 (2017-001) – Expenditures in Excess of Budget	Repeated and Revised
2018-002 (2017-003) – Bank Accounts Reconciled to the General Ledger	Resolved
2018-003 – Ambulance Billing and Revenue	Repeated and Revised

**STATE OF NEW MEXICO  
TOWN OF TATUM  
EXIT CONFERENCE  
JUNE 30, 2019**

An entrance conference was held with Town officials on October 28, 2019. The exit conference was held with Town officials and the contents of this report were discussed on October 30, 2019. The following individuals were available for the conference:

**Town of Tatum**

Marilyn Burns, Mayor  
Lynn Stevens, Town Clerk

**Scott Northam, CPA, PC**

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.