

State of New Mexico

Town of Hurley

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT THEREON**

For The Fiscal Year Ended June 30, 2006

Town of Hurley
TABLE OF CONTENTS
 June 30, 2006

	<u>PAGE</u>
INTRODUCTORY SECTION:	
Directory of officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	2-3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	4-5
Statement of Activities	6-7
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	8-9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis)	
General Fund	14
Fire Protection	15
Law Enforcement Protection	16
Statement of Net Assets--Proprietary Funds	17-18
Statement of Revenues, Expenses and Changes in Fund Net Assets--Proprietary Funds	19
Statement of Cash Flows--Proprietary Funds	20-21
Notes to Basic Financial Statements	22-39
OTHER SUPPLEMENTARY INFORMATION:	
Fund Descriptions	40-41
Combining Balance Sheet--Nonmajor Governmental Funds	42-43

Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	44-45
Statements of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
Special Revenue Funds:	
Recreation	46
Lodgers tax	47
EMS	48
Correction fees	49
Capital Projects Funds:	
Diaz Avenue	50
CDBG Comprehensive Plan	51
Santa Rita Street	52
Enterprise Funds:	
Water and Sewer	53
Sanitation	54
Cemetery	55
 OTHER SUPPLEMENTAL DATA:	
 Schedule of Depository Collateral	 56
Schedule of Individual Deposit Accounts and Investments	57
 ADDITIONAL REPORTING REQUIREMENTS:	
 Summary Schedule of Prior Audit Findings	 58
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
 Schedule of Findings and Responses	 61-64

Town of Hurley
DIRECTORY OF OFFICIALS
June 30, 2006

ELECTED OFFICIALS

Ray Baca	Mayor
Gabriel Ramos	Mayor Pro-Tem
Richard Maynes, Jr.	Councillor
Elmo Gomez	Councillor
Joe Marin	Councillor

ADMINISTRATIVE STAFF

Rolene Aguirre	Clerk-Treasurer
David Ramos Sr.	Municipal Judge
Bernie Marin	Maintenance Supervisor
Robert Ruiz	Police Chief
Jay Jackson	Fire Chief

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonermcgee@qwestoffice.net

INDEPENDENT AUDITORS' REPORT

Hector Balderas, State Auditor
and
Mayor and Town Council
Town of Hurley
Hurley, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hurley as of and for the year ended June 30, 2006, 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 enterprise funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Town of Hurley's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Hurley as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Fire and Law Enforcement Protection funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Town of Hurley as of June 30, 2006, and the respective changes in financial position where applicable, thereof and the respective budgetary comparisons for the nonmajor special revenue, capital projects and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2009, on our consideration of Town of Hurley'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* and should be considered in assessing the results of our audit.

The Town of Hurley has not presented Management's Discussion and Analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements, and on the combining, individual fund, and budgetary comparisons presented as other supplementary information. The accompanying financial information listed as other supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co CPAs

April 8, 2009

Town of Hurley
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and investments	\$ 409,564	\$ 374,182	\$ 783,746
Receivables, net	28,213	70,963	99,176
Interfund balances	(682) #		-
 Total current assets	 <u>\$ 437,095</u>	 <u>\$ 445,145</u>	 <u>\$ 882,922</u>
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 39,438	\$ 39,438
Capital assets, net	6,031,260	773,499	6,804,759
 Total noncurrent assets	 <u>\$ 6,031,260</u>	 <u>\$ 812,937</u>	 <u>\$ 6,844,197</u>
 Total assets	 <u>\$ 6,468,355</u>	 <u>\$ 1,258,082</u>	 <u>\$ 7,727,119</u>
 LIABILITIES			
Current:			
Accounts payable	\$ 13,788	\$ 3,384	\$ 17,172
Current maturities of long-term debt		1,040	1,040
 Total current liabilities	 <u>\$ 13,788</u>	 <u>\$ 4,424</u>	 <u>\$ 18,212</u>
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 39,438	\$ 39,438
Notes payable		4,483	4,483
Compensated absences	5,888	11,424	17,312
 Total noncurrent liabilities	 <u>\$ 5,888</u>	 <u>\$ 55,345</u>	 <u>\$ 61,233</u>
 Total liabilities	 <u>\$ 19,676</u>	 <u>\$ 59,769</u>	 <u>\$ 79,445</u>

Town of Hurley
STATEMENT OF NET ASSETS (concluded)
June 30, 2006

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 6,031,260	\$ 767,976	\$ 6,799,236
Restricted for:			
Capital projects	3,090		3,090
Other purposes	153,316		153,316
Unrestricted	<u>261,013</u>	<u>431,019</u>	<u>692,032</u>
 Total net assets	 <u><u>\$ 6,448,679</u></u>	 <u><u>\$ 1,198,995</u></u>	 <u><u>\$ 7,647,674</u></u>

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

Town of Hurley
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 167,375	\$ 25,690	\$ 163,113
Public safety	264,743	61,635	120,978
Highways and streets	146,835		
Health and welfare	9,191		
Culture-recreation	41,863	3,658	7,298
Unallocated interest expense	1,309		
Total governmental activities	<u>\$ 631,316</u>	<u>\$ 90,983</u>	<u>\$ 291,389</u>
Business-type activities:			
Water and sewer	\$ 280,357	\$ 283,407	\$ -
Cemetery	23	2,800	
Sanitation	99,355	101,003	
Total business-type activities	<u>\$ 379,735</u>	<u>\$ 387,210</u>	<u>\$ -</u>
Total government	<u>\$ 1,011,051</u>	<u>\$ 478,193</u>	<u>\$ 291,389</u>

General revenues:
Property taxes
Gas tax
Motor vehicle tax
Gross receipts tax
Other taxes
Interest and investment earnings
Miscellaneous
Transfers

Total general revenues

Change in net assets

Net assets--beginning

Net assets--ending

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

Net (Expenses) Revenue
and Changes in Net Assets

Capital Grants and Contributions	Governmental Activities	Business -Type Activities	Total
\$ -	\$ 21,428	\$ -	\$ 21,428
	(82,130)		(82,130)
256,538	109,703		109,703
	(9,191)		(9,191)
	(30,907)		(30,907)
	(1,309)		(1,309)
<u>\$ 256,538</u>	<u>\$ 7,594</u>	<u>\$ -</u>	<u>\$ 7,594</u>
\$ -	\$ -	\$ 3,050	\$ 3,050
		2,777	2,777
		1,648	1,648
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,475</u>	<u>\$ 7,475</u>
<u>\$ 256,538</u>	<u>\$ 7,594</u>	<u>\$ 7,475</u>	<u>\$ 15,069</u>
	\$ 9,824		\$ 9,824
	10,203		10,203
	4,801		4,801
	114,571		114,571
	28,632	2,656	31,288
	3,700	4,116	7,816
	12,830	9,806	22,636
	39,945	(39,945)	-
	<u>\$ 224,506</u>	<u>\$ (23,367)</u>	<u>\$ 201,139</u>
	\$ 232,100	\$ (15,892)	\$ 216,208
	<u>6,216,579</u>	<u>1,214,887</u>	<u>7,431,466</u>
	<u>\$ 6,448,679</u>	<u>\$ 1,198,995</u>	<u>\$ 7,647,674</u>

Town of Hurley
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Fire	Law Enforcement Protection	Diaz Avenue
Assets				
Cash and investments	\$ 241,171	\$ 84,806	\$ 27,322	\$ -
Accounts receivable	9,230			
Interfund receivable	4,964			
Due from other governments	18,983			
Total assets	<u>\$ 274,348</u>	<u>\$ 84,806</u>	<u>\$ 27,322</u>	<u>\$ -</u>
 Liabilities and Fund Balance				
Accounts payable	\$ 6,765	\$ 73	\$ 4,857	\$ -
Interfund payable	682			4,964
Deferred revenue	344			
Total liabilities	<u>\$ 7,791</u>	<u>\$ 73</u>	<u>\$ 4,857</u>	<u>\$ 4,964</u>
Fund balance:				
Unreserved reported in:				
General fund	\$ 266,557	\$ -	\$ -	\$ -
Special revenue funds		84,733	22,465	
Capital projects funds				(4,964)
Total fund balance	<u>\$ 266,557</u>	<u>\$ 84,733</u>	<u>\$ 22,465</u>	<u>\$ (4,964)</u>
Total liabilities and fund balance	<u>\$ 274,348</u>	<u>\$ 84,806</u>	<u>\$ 27,322</u>	<u>\$ -</u>

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

<u>Santa Rita Street</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 8,054	\$ 48,211	\$ 409,564 9,230 4,964 18,983
<u>\$ 8,054</u>	<u>\$ 48,211</u>	<u>\$ 442,741</u>
\$ -	\$ 2,093	\$ 13,788 5,646 344
<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 19,778</u>
\$ - 8,054	\$ - 46,118	\$ 266,557 153,316 3,090
<u>\$ 8,054</u>	<u>\$ 46,118</u>	<u>\$ 422,963</u>
<u>\$ 8,054</u>	<u>\$ 48,211</u>	<u>\$ 442,741</u>

Town of Hurley
**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET ASSET OF
GOVERNMENTAL ACTIVITIES**

Total governmental fund balances	\$ 422,963
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,031,260
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	344
Long-term liabilities, including compensated absences are not reported in the funds.	<u>(5,888)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 6,448,679</u></u>

Town of Hurley
**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES**
IN FUND BALANCES-GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Fire</u>	<u>Law Enforcement Protection</u>
Revenues:			
Taxes	\$ 96,604	\$ -	\$ -
Intergovernmental	234,820	114,858	
Fines, licenses and permits	8,375		53,666
Charges for services	17,315		
Miscellaneous	8,892	1,428	
	<u>366,006</u>	<u>116,286</u>	<u>53,666</u>
Total revenues	\$ 366,006	\$ 116,286	\$ 53,666
Expenditures:			
Current:			
General government	\$ 122,591	\$ -	\$ 40,692
Public safety	187,855	27,053	
Highways and streets	39,636		
Health and welfare	9,163		
Culture recreation			
Debt service:			
Principal		21,551	
Interest		1,309	
Capital outlay	31,251		
	<u>390,496</u>	<u>49,913</u>	<u>40,692</u>
Total expenditures	\$ 390,496	\$ 49,913	\$ 40,692
Net change in fund balance	\$ (24,490)	\$ 66,373	\$ 12,974
Other financing sources (uses):			
Transfer out	(4,333)		
Transfer in		13,737	3,496
	<u>(4,333)</u>	<u>13,737</u>	<u>3,496</u>
Net change in fund balance after other financing sources (uses)	\$ (28,823)	\$ 80,110	\$ 16,470
Fund balance, July 1, 2005	<u>295,380</u>	<u>4,623</u>	<u>5,995</u>
Fund balance, June 30, 2006	<u>\$ 266,557</u>	<u>\$ 84,733</u>	<u>\$ 22,465</u>

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

<u>Diaz Avenue</u>	<u>Santa Rita Street</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 559	\$ 97,163
5,498	221,774	41,564	618,514
		7,969	70,010
		3,658	20,973
		6,210	16,530
<u>\$ 5,498</u>	<u>\$ 221,774</u>	<u>\$ 59,960</u>	<u>\$ 823,190</u>
\$ -	\$ -	\$ -	\$ 163,283
		11,974	226,882
		29,908	69,544
			9,163
		31,145	31,145
			21,551
			1,309
<u>22,148</u>	<u>213,720</u>		<u>267,119</u>
<u>\$ 22,148</u>	<u>\$ 213,720</u>	<u>\$ 73,027</u>	<u>\$ 789,996</u>
\$ (16,650)	\$ 8,054	\$ (13,067)	\$ 33,194
		(3,117)	(7,450)
<u>16,650</u>		<u>13,512</u>	<u>47,395</u>
\$ -	\$ 8,054	\$ (2,672)	\$ 73,139
<u>(4,964)</u>	<u>-</u>	<u>48,790</u>	<u>349,824</u>
<u>\$ (4,964)</u>	<u>\$ 8,054</u>	<u>\$ 46,118</u>	<u>\$ 422,963</u>

Town of Hurley
**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES**

Net changes in fund balances - total governmental funds	\$ 73,139
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.	137,151
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	281
Repayment of debt is an expenditure in the governmental funds, but the payment reduces long term liabilities in the Statement of Net Assets.	21,551
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	<u>(22)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$ 232,100</u></u>

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

Town of Hurley
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Franchise tax	\$ 21,900	\$ 21,900	\$ 26,724	\$ 4,824
Gross receipts tax	114,500	114,500	57,988	(56,512)
Property tax	8,000	8,000	9,543	1,543
Cigarette tax	30	30	1,349	1,319
Motor vehicle tax	4,000	4,000	4,801	801
Licenses and permits	1,650	1,650	2,068	418
Intergovernmental	56,000	56,000	251,205	195,205
Charges for services	40,600	40,600	14,915	(25,685)
Fines and forfeitures			6,307	6,307
Miscellaneous			9,289	9,289
Total revenues	\$ 246,680	\$ 246,680	\$ 384,189	\$ 137,509
Expenditures:				
Current:				
General government	\$ 125,956	\$ 125,956	\$ 158,192	\$ (32,236)
Public safety	157,227	157,227	259,878	(102,651)
Highways and streets	23,400	23,400	55,126	(31,726)
Health and welfare	32,071	32,071	9,163	22,908
Culture - recreation				-
Capital outlay			27,420	(27,420)
Total expenditures	\$ 338,654	\$ 338,654	\$ 509,779	\$ (171,125)
Net change in fund balance	\$ (91,974)	\$ (91,974)	\$ (125,590)	\$ (33,616)
Other financing sources (uses):				
Transfers in	-	-	105,701	105,701
Total other financing sources (uses)	\$ -	\$ -	\$ 105,701	\$ 105,701
Net change in fund balance after other financing sources (uses)	\$ (91,974)	\$ (91,974)	\$ (19,889)	\$ 72,085
Fund balance, July 1, 2005	209,925	209,925	261,060	51,135
Fund balance, June 30, 2006	\$ 117,951	\$ 117,951	\$ 241,171	\$ 123,220

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

Town of Hurley
FIRE PROTECTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 48,800	\$ 48,800	\$ 114,858	\$ 66,058
Miscellaneous	<u>48,522</u>	<u>48,522</u>	<u>1,428</u>	<u>(47,094)</u>
Total revenues	<u>\$ 97,322</u>	<u>\$ 97,322</u>	<u>\$ 116,286</u>	<u>\$ 18,964</u>
Expenditures:				
Current:				
Public safety	\$ 74,033	\$ 74,033	\$ 49,771	\$ 24,262
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>22,860</u>	<u>2,140</u>
Total expenditures	<u>\$ 99,033</u>	<u>\$ 99,033</u>	<u>\$ 72,631</u>	<u>\$ 26,402</u>
Net change in fund balance	\$ (1,711)	\$ (1,711)	\$ 43,655	\$ 45,366
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>13,737</u>	<u>13,737</u>
Net change in fund balance after other financing sources (uses)	\$ (1,711)	\$ (1,711)	\$ 57,392	\$ 59,103
Fund balance, July 1, 2005	<u>27,414</u>	<u>27,414</u>	<u>27,414</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 25,703</u></u>	<u><u>\$ 25,703</u></u>	<u><u>\$ 84,806</u></u>	<u><u>\$ 59,103</u></u>

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

Town of Hurley
LAW ENFORCEMENT PROTECTION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 22,400	\$ 22,400	\$ 53,666	\$ 31,266
Expenditures:				
Current:				
Public safety	<u>28,713</u>	<u>28,713</u>	<u>36,151</u>	<u>(7,438)</u>
Net change in fund balance	\$ (6,313)	\$ (6,313)	\$ 17,515	\$ 23,828
Other financing sources (uses):				
Transfer in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,496</u>	<u>\$ 3,496</u>
Net change in fund balance after other financing sources (uses)	\$ (6,313)	\$ (6,313)	\$ 21,011	\$ 27,324
Fund balance, July 1, 2005	<u>6,311</u>	<u>6,311</u>	<u>6,311</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ (2)</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ 27,322</u></u>	<u><u>\$ 27,324</u></u>

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

Town of Hurley
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

Assets	<u>Water/Sewer</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Total</u>
Current:				
Cash and investments	\$ 277,651	\$ 21,759	\$ 74,772	\$ 374,182
Accounts receivable	40,834		8,788	49,622
Interest receivable	146			146
Due from other governments			413	413
Interfund receivable			682	682
Unbilled receivables	<u>15,571</u>		<u>5,211</u>	<u>20,782</u>
Total current assets	<u>\$ 334,202</u>	<u>\$ 21,759</u>	<u>\$ 89,866</u>	<u>\$ 445,827</u>
Noncurrent assets:				
Restricted cash and investments	\$ 39,438	\$ -	\$ -	\$ 39,438
Capital assets net of accumulated depreciation	<u>773,499</u>			<u>773,499</u>
Total noncurrent assets	<u>\$ 812,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 812,937</u>
Total assets	<u>\$ 1,147,139</u>	<u>\$ 21,759</u>	<u>\$ 89,866</u>	<u>\$ 1,258,764</u>
Liabilities				
Current:				
Accounts payable	\$ 3,384	\$ -	\$ -	\$ 3,384
Accrued expenses				-
Salary payable				-
Customer deposits	39,438			39,438
Accrued interest payable				-
Current maturities of long-term debt	<u>1,040</u>			<u>1,040</u>
Total current liabilities	<u>\$ 43,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,862</u>
Noncurrent liabilities:				
Compensated absences	\$ 11,424	\$ -	\$ -	\$ 11,424
Note payable	<u>4,483</u>			<u>4,483</u>
Total liabilities	<u>\$ 59,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,769</u>

Town of Hurley
STATEMENT OF NET ASSETS (concluded)
PROPRIETARY FUNDS
June 30, 2006

	<u>Water/Sewer</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Total</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 767,976	\$ -	\$ -	\$ 767,976
Unrestricted	<u>319,394</u>	<u>21,759</u>	<u>89,866</u>	<u>431,019</u>
Total net assets	<u>\$ 1,087,370</u>	<u>\$ 21,759</u>	<u>\$ 89,866</u>	<u>\$ 1,198,995</u>

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

Town of Hurley
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2006

	<u>Water and Sewer</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 283,407	\$ 2,800	\$ 101,003	\$ 387,210
Operating expenses:				
Personnel	\$ 150,093	\$ -	\$ -	\$ 150,093
Operating	33,740	23	99,355	133,118
Utilities	10,237			10,237
Insurance	25,888			25,888
Depreciation	15,643			15,643
Taxes	43,185			43,185
Total operating expenses	\$ 278,786	\$ 23	\$ 99,355	\$ 378,164
Net operating income	\$ 4,621	\$ 2,777	\$ 1,648	\$ 9,046
Non-operating revenue (expense):				
Investment income	\$ 3,069	\$ 1,047	\$ -	\$ 4,116
Dedicated gross receipts tax			2,656	2,656
Miscellaneous	9,806			9,806
Interest expense	(1,571)			(1,571)
Total non-operating revenue (expense)	\$ 11,304	\$ 1,047	\$ 2,656	\$ 15,007
Income before contributions and operating transfers	\$ 15,925	\$ 3,824	\$ 4,304	\$ 24,053
Transfers out	(39,945)			(39,945)
Change in net assets	\$ (24,020)	\$ 3,824	\$ 4,304	\$ (15,892)
Net assets, beginning of year	1,111,390	17,935	85,562	1,214,887
Net assets, end of year	<u>\$ 1,087,370</u>	<u>\$ 21,759</u>	<u>\$ 89,866</u>	<u>\$ 1,198,995</u>

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

Town of Hurley
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2006

	<u>Water and Sewer</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 286,385	\$ 2,800	\$ 106,000	\$ 395,185
Payments to suppliers	(157,523)	(988)	(110,233)	(268,744)
Payments to employees	(104,606)			(104,606)
Receipts of customer meter deposits	8,608			8,608
Refunds of customer meter deposits	(6,705)			(6,705)
Net cash provided (used) by operating activities	<u>\$ 26,159</u>	<u>\$ 1,812</u>	<u>\$ (4,233)</u>	<u>\$ 23,738</u>
Cash flows from noncapital financing activities:				
Dedicated tax receipts	\$ -		\$ 2,656	\$ 2,656
Transfers to other funds	(39,945)			(39,945)
Net cash provided (used) by noncapital financing activities	<u>\$ (39,945)</u>	<u>\$ -</u>	<u>\$ 2,656</u>	<u>\$ (37,289)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	\$ (15,175)	\$ -	\$ -	\$ (15,175)
Sale of capital assets				-
Principal paid on capital debt	(1,010)			(1,010)
Interest paid on capital debt	(1,571)			(1,571)
Net cash provided (used) by capital and related financing activities	<u>\$ (17,756)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,756)</u>
Cash flows from investing activities:				
Miscellaneous	\$ 9,806	-	-	\$ 9,806
Earnings on investments	3,069	1,047		4,116
Net cash provided from investing activities	<u>\$ 12,875</u>	<u>\$ 1,047</u>	<u>\$ -</u>	<u>\$ 13,922</u>
Net increase (decrease) in cash and cash equivalents	\$ (18,667)	\$ 2,859	\$ (1,577)	\$ (17,385)
Cash and equivalents, beginning of year	<u>335,756</u>	<u>18,900</u>	<u>76,349</u>	<u>431,005</u>
Cash and equivalents, end of year	<u>\$ 317,089</u>	<u>\$ 21,759</u>	<u>\$ 74,772</u>	<u>\$ 413,620</u>

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

Town of Hurley
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2006

	<u>Water & Sewer</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 4,621	\$ 2,777	\$ 1,648	\$ 9,046
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	15,643			15,643
Bad debt expense (recovery)				-
Changes in assets and liabilities:				
Receivables, net	2,978		4,997	7,975
Accrued expenses	(3,102)	(965)	(10,878)	(14,945)
Customer deposits	1,903			1,903
Compensated absences	4,116			4,116
	<u>4,116</u>	<u> </u>	<u> </u>	<u>4,116</u>
Net cash provided (used) by operating activities	<u>\$ 26,159</u>	<u>\$ 1,812</u>	<u>\$ (4,233)</u>	<u>\$ 23,738</u>

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

Town of Hurley
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 Summary of Significant Accounting Policies

A. GENERAL

The Town of Hurley, a political subdivision of the State of New Mexico, operates under the council-manager form of government. The Town provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the Town implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

B. FINANCIAL REPORTING ENTITY

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town has no component units.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes two agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Major Funds

The funds classified as major are as follows:

General – Accounts for all activities except those accounted for in other funds.

Fire – Accounts the proceeds of the state fire allotment and expenditures for public safety therefrom. This is a special revenue fund.

Law Enforcement Protection – to account for the State Grant to be used for the repair and/or replacement of law enforcement equipment. Established under Chapter 29 Article 13, NMSA 1978. this is a Special Revenue Fund.

Diaz Avenue - to account for the grant revenues and the expenditures therefrom to resurface Diaz Avenue. This is a Capital Project Fund.

Santa Rita Street – to account for the grant revenues and the expenditures therefrom to resurface Santa Rita Street. This is a Capital Project Fund.

Proprietary:

Water and sewer – Accounts for activities associated with the provision of water and sewer services to the citizenry.

Sanitation – Accounts for activities associated with refuse collection and disposal.

Cemetery – Accounts for activities associated with the provision of cemetery services to the citizenry.

Nonmajor Funds

Fund description for all funds are included in the “Other Supplementary Information” section of this report.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Property taxes receivable are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred revenue in the fund financial statements. Derived tax revenues are recognized when the underlying exchange transaction takes place.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local council and the New Mexico Department of Finance and Administration.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be

appropriated in the budget of the subsequent fiscal year, the amount is presented as a designated portion of fund balance.

Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

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

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Assets, "cash and investments" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of six months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the state treasurers investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Town. The pledged securities remain in the name of the financial institution. Premiums (discounts) on investments are amortized by the interest method, or methods approximating the interest method.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "interfund receivables and payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Assets acquired with an original cost of \$5,000 or more are capitalized.

Prior to July 1, 2003, governmental funds' infrastructure assets were capitalized. The Town did not elect to utilize the infrastructure transition option in the implementation of GASB Statement No. 34, and in fiscal year 2004 has capitalized all infrastructure assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years

- Machinery and Equipment 03-20 years
- Utility System 25-75 years
- Infrastructure 25-75 years
- Software and Library 5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

J. RESTRICTED ASSETS

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

K. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

L. COMPENSATED ABSENCES

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Equity is classified as fund balance and displayed in two components.

- a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (designated), and undesignated, for which no restrictions or designations exist.

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The Town levies a 6.50% gross receipts tax on taxable gross receipts within the Town. The rate includes both Town and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Town in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to the Sanitation Fund, and those dedicated amounts are recorded directly in that fund.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the Town in July and August have been accrued and are included under the caption "Due from Other Governments."

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of

Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. Because the Treasurer of the County in which the Town is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable county to the Town.

The Town is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year ended June 30, 2006 was \$.223 per \$1,000 for non-residential property and \$1.238 for residential property. The Town's tax rate for debt service was -0- per \$1,000 for both residential and nonresidential property.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating revenues for governmental funds are charges for services such as copies, pavement penetration, and ancillary services.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character: Current (further classified by function)
Debt Service
Capital Outlay
Proprietary Fund-By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Town does not allocate indirect costs.

O. INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all

interfund transfers between individual governmental funds and between individual proprietary funds have been eliminated.

P. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The Town does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2006, \$-0- of the Town's bank balance of \$801,227 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		\$ <u>-0-</u>
	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Deposits by custodial risk		
Category:		
Insured	\$ 173,613	\$ 173,613
Collateral held by the pledging bank's agent in Town's name	<u>627,614</u>	<u>460,773</u>
	<u>\$ 801,227</u>	<u>\$ 634,386</u>

The Town invests in the State Treasurer Local Government Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.IF, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the funds were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The Town had \$188,798 on deposit in the pool at June 30, 2006, which is AAAM rated with a weighted average maturity of 24 days.

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Fire Protection contract	\$ 3,600	\$
Franchise	5,630	
Services	<u> </u>	<u>70,404</u>
	<u>\$ 9,230</u>	<u>\$ 70,404</u>
Interest receivable	<u>\$ -0-</u>	<u>\$ 146</u>
Due from other governments:		
Property taxes	\$ 288	\$
Gross receipts tax	17,783	413
Motor Vehicle Taxes	326	
Gasoline taxes	557	
Cigarette tax	<u>29</u>	<u> </u>
	<u>\$ 18,983</u>	<u>\$ 413</u>
Total	<u>\$ 28,213</u>	<u>\$ 70,963</u>

No allowance for doubtful accounts has been recorded, since the Town considers all receivables fully collectible.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 13,248	\$ -0-	\$ -0-	\$ 13,248
Construction in progress	<u>51,263</u>	<u>267,119</u>	<u>-0-</u>	<u>318,382</u>
	<u>\$ 64,511</u>	<u>\$ 267,119</u>	<u>\$ -0-</u>	<u>\$ 331,630</u>
Other capital assets:				
Buildings, improvements and other infrastructure	\$6,482,114	\$ -0-	\$ -0-	\$ 6,482,114
Equipment	<u>962,729</u>	<u>-0-</u>	<u>-0-</u>	<u>962,729</u>
Total other assets at historical cost	<u>\$7,444,843</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,444,843</u>
Less accumulated depreciation for:				
Buildings, improvements and infrastructure	\$ (909,261)	\$ (94,000)	\$ -0-	\$(1,003,261)
Equipment	<u>(705,984)</u>	<u>(35,968)</u>	<u>-0-</u>	<u>(741,952)</u>
Total accumulated depreciation	<u>\$(1,615,245)</u>	<u>\$ (129,968)</u>	<u>\$ -0-</u>	<u>\$(1,745,213)</u>
Governmental activities, capital assets, net	<u>\$ 5,894,109</u>	<u>\$ 137,151</u>	<u>\$ -0-</u>	<u>\$ 6,031,260</u>
Business Type Activities:				
Capital assets not being depreciated:				
Land	\$ 6,164	\$ -0-	\$ -0-	\$ 6,164
Other capital assets:				
Buildings and utility plant	2,455,900	-	\$ -0-	2,455,900
Equipment	<u>49,764</u>	<u>15,175</u>	<u>-0-</u>	<u>64,939</u>

Total other capital assets at historical cost	\$ 2,511,828	\$ _____	\$ _____	\$ 2,520,839
Less accumulated depreciation for:				
Buildings and utility plant	\$(1,693,649)	\$ (12,871)	\$ _____	\$ (1,706,520)
Equipment	<u>(44,212)</u>	<u>(2,772)</u>	<u>_____</u>	<u>(46,984)</u>
Total accumulated depreciation	<u>\$(1,737,861)</u>	<u>\$ (15,643)</u>	<u>\$ _____</u>	<u>\$ (1,753,504)</u>
Business-type activities capital assets, net	<u>\$ 773,967</u>	<u>\$ (468)</u>	<u>\$ _____</u>	<u>\$ 773,499</u>

The Town has various construction projects ongoing at various stages of completion. Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 4,070
Public Safety	37,861
Highways and Streets	77,291
Health and Welfare	28
Culture-Recreation	<u>10,718</u>
	<u>\$ 129,968</u>

Note 5 Long-Term Debt

Changes in long-term debt were as follows during the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Governmental activities:				
Lease-purchase payable	\$ 21,551	\$ _____	\$ 21,551	\$ -0-
Compensated absences	<u>5,866</u>	<u>6,446</u>	<u>6,423</u>	<u>5,889</u>
	<u>\$ 27,417</u>	<u>\$ 6,446</u>	<u>\$ 27,974</u>	<u>\$ 5,889</u>
Business Type Activities:				
Notes payable	\$ 6,533	\$ _____	\$ 1,010	\$ 5,523
Compensated absences	<u>7,308</u>	<u>9,463</u>	<u>5,347</u>	<u>11,424</u>
	<u>\$ 13,841</u>	<u>\$ 9,463</u>	<u>\$ 6,357</u>	<u>\$ 16,947</u>

Lease Purchase Payable

The Town entered into a capital lease agreement on June 7, 1996 to purchase a pumper fire truck. The economic substance of the lease is that the Town is financing the acquisition of the asset through the lease and accordingly, it is recorded in the Town's assets and liabilities. The obligation under this capital lease has been recorded in the accompanying financial statements at the present value of future minimum lease payments discounted at 5.75% interest rate. Included in general fixed assets is equipment acquired with a cost of \$189,748, less accumulated depreciation of \$189,748. The lease was paid off during the year ended June 30, 2006.

Proprietary Fund Notes Payable

Town of Hurley obligations, payable to the New Mexico Department of Finance and Administration. The proceeds were used to construct water lines. This note bears interest at 5%, and matures November 20, 2010. Retirement are made from the revenues of the water and sewer fund. No prepayment penalties exist. Annual payments of \$1,206 are required.

Compensated Absences

The amount of compensated absences due within the next year is not estimable. The liabilities will be paid from the fund which is charged with the employee as a direct cost, and the liability will be paid with funds available. Typically the general and water and sewer funds bear the majority of the compensated absences cost.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2006 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$	\$	\$ 1,040	\$ 166
2008			1,072	134
2009			1,104	102
2010			1,137	69
2011			1,170	35
	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,523</u>	<u>\$ 506</u>

Note 6 Interfund Transfers

<u>Transfers To</u>	<u>Transfers From</u>			<u>Total</u>
	<u>General</u>	<u>Water and Sewer</u>	<u>Other Funds</u>	
Fire Fund	\$ 837	\$ 9,783	\$ 3,117	\$ 13,737
Law Enforcement Protection	3,496			3,496
Diaz Avenue		16,650		16,650
Other Funds		<u>13,512</u>		<u>13,512</u>
	<u>\$ 4,333</u>	<u>\$ 39,945</u>	<u>\$ 3,117</u>	<u>\$ 47,395</u>

The transfers were made for operating or debt service purposes, and were within the fund's intended purpose.

Note 7 Restricted Net Assets

The net assets "Restricted for Other Purposes" in the Statement of Net Assets consist of the special revenue fund balances, which are restricted to each fund's specific purpose, as follows:

Fire	\$ 84,733
Law Enforcement	22,465
Recreation	8,737
Correction Fees	32,646
Lodgers Tax	<u>4,735</u>
	<u>\$153,316</u>

Note 8 Contingent Liabilities

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

Note 9 Subsequent Events

The Town has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments.

Note 10 Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities in the State and obtained insurance through the New Mexico Self Insurers Fund, a public risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to New Mexico Self Insurers Fund for its general insurance coverage and all risk of loss is transferred.

Note 11 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of revenues and other sources over (under) expenditures and other uses by the General and Fire Funds for the year ended June 30, 2006 is as follows:

	<u>General</u>	<u>Fire</u>	<u>Law Enforcement</u>
Revenues and other sources over (under) expenditures and other uses (GAAP Basis)	\$ (28,823)	\$ 80,110	\$ 16,470
Revenue accruals	18,183	-0-	-0-
Expenditure accruals	(119,283)	(22,718)	4,541
Transfers	<u>110,034</u>	<u> </u>	<u>-0-</u>
Revenues and other sources Over (under) expenditures and other uses (NON- GAAP) Budgetary Basis	<u>\$ (19,889)</u>	<u>\$ 57,392</u>	<u>\$ 21,011</u>

Note 12 Deficit Unreserved Fund Balance

Deficit fund balances can result because of the application of generally accepted accounting principles to cash basis budgeting, and the modified accrual basis limitation of 60 days on the accrual of revenue. Because cash balances are legally appropriated in the budget for the subsequent fiscal year, liabilities remaining unpaid at year end cause a deficit fund balance. As the liabilities are cleared in the subsequent fiscal year, the deficit fund balance will be reduced.

Note 13 Interfund Borrowings

<u>Interfund Receivable</u>	<u>Interfund Payable</u>		
	<u>General</u>	<u>Diaz Avenue</u>	<u>Total</u>
General	\$	\$ 4,964	\$ 4,964
Sanitation	<u>682</u>	<u> </u>	<u>682</u>
	<u>\$ 682</u>	<u>\$ 4,964</u>	<u>\$ 5,646</u>

All amounts are expected to be paid in the next fiscal year. The purpose of these activities was to fund ongoing activities in the short-term.

Note 14 Legal Compliance

The Town incurred fund expenditures in excess of budgetary authority as follows:

General	\$ 171,125
Law Enforcement Protection	7,438
Recreation	8,843
Corrections	5,356
Water/Sewer	39,695
Sanitation	10,813

The Town intends to monitor budgets, and make the appropriate budget adjustments in the future.

The Town had the following negative fund balance at June 30, 2006, due to failure to transfers funds:

Diaz Avenue	\$ 4,964
-------------	----------

The Town intends to transfer monies from the General Fund to alleviate the negative fund balance during the 2006-2007 fiscal year.

GENERAL FUND

General Fund - to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Fire Fund - to account for the proceeds of the state fire allotment, and the expenditures for public safety therefrom. Established by Section 59A-6-5 NMSA 1978 as authorized by Section 59A-53-7.

Recreation Fund - to account for receipts, such as the cigarette tax revenue, which is restricted for use in recreational areas only. Established by Section 7-12-5 NMSA 1978.

Law Enforcement Protection - to account for the State Grant to be used for the repair and/or replacement of law enforcement equipment. Established under Chapter 29 Article 13, NMSA 1978.

Correction Fees Fund - to account for the fees collected by the municipal judge which are legally restricted to expenditure for jail related costs. Established by Section 35-14-11B.(1) NMSA 1978.

Gang Task Force - to account for federal funds received from the Department of Justice to control gang activity. Established under PL 104-208.

EMS - to account for the operation and maintenance of medical service equipment in the Town. Established by Section 24-10A-1 to 24-10A-10 NMSA 1978.

Lodgers Tax - to account for the taxes levied against motel operators, and the expenditure therefrom for promotional activities. Established by Section 3-38-13 to 3-38-24 NMSA 1978.

CAPITAL PROJECTS FUNDS

CDBG Comprehensive Plan - to account for the federal grant (CDBG) revenues and the New Mexico Highway Department revenues and expenditures therefrom to resurface Romero Street as well as Santa Rita Street.

Diaz Avenue - to account for the grant revenues and the expenditures therefrom to resurface Diaz Avenue.

ENTERPRISE FUNDS

Water and Sewer Fund - to account for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

Solid Waste Disposal - to account for the provision of solid waste disposal to the residents of the Town. All activities necessary to provide such service are accounted for in this fund.

Cemetery - to account for the operation of the Town's cemetery. All activities necessary to provide such services are accounted for in this fund.

Town of Hurley
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	Special Revenue Funds		
	Recreation	Correction Fees	EMS
Assets			
Cash and investments	\$ 10,422	\$ 33,054	\$ -
Total assets	\$ 10,422	\$ 33,054	\$ -
Liabilities and Fund Balance			
Accounts payable	\$ 1,685	\$ 408	\$ -
Salaries payable			
Interfund payable			
Total liabilities	\$ 1,685	\$ 408	\$ -
Fund balances:			
Unreserved	\$ 8,737	\$ 32,646	\$ -
Total fund balances	\$ 8,737	\$ 32,646	\$ -
Total liabilities and fund balances	\$ 10,422	\$ 33,054	\$ -

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

<u>Lodgers Tax</u>	<u>Capital Projects Funds CDBG Comprehensive Plan</u>	<u>Total</u>
\$ 4,735	\$ -	\$ 48,211
<u>\$ 4,735</u>	<u>\$ -</u>	<u>\$ 48,211</u>
\$ -	\$ -	\$ 2,093
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093</u>
\$ 4,735	\$ -	\$ 46,118
<u>\$ 4,735</u>	<u>\$ -</u>	<u>\$ 46,118</u>
<u>\$ 9,470</u>	<u>\$ -</u>	<u>\$ 48,211</u>

Town of Hurley
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2006

	Special Revenue Funds			
	Recreation	Correction Fees	EMS	Lodgers Tax
Revenues:				
Taxes	\$ 105	\$ -	\$ -	\$ 454
Charges for services	3,658			
Intergovernmental	7,298		5,000	
Fines and forfeitures		7,969		
Miscellaneous	5,419	715	3	73
Total revenues	<u>\$ 16,480</u>	<u>\$ 8,684</u>	<u>\$ 5,003</u>	<u>\$ 527</u>
Expenditures:				
Current:				
Public safety	\$ -	\$ 10,088	\$ 1,886	\$ -
Highways and streets				
Culture-recreation	28,905			2,240
Total expenditures	<u>\$ 28,905</u>	<u>\$ 10,088</u>	<u>\$ 1,886</u>	<u>\$ 2,240</u>
Net change in fund balance	\$ (12,425)	\$ (1,404)	\$ 3,117	\$ (1,713)
Other financing sources (uses):				
Transfer out			(3,117)	
Transfer in	10,487	3,025		
Net change in fund balance after other financing sources (uses)	\$ (1,938)	\$ 1,621	\$ -	\$ (1,713)
Fund balance, July 1, 2005	10,675	31,025	-	6,448
Fund balance, June 30, 2006	<u>\$ 8,737</u>	<u>\$ 32,646</u>	<u>\$ -</u>	<u>\$ 4,735</u>

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

Capital Projects Fund CDBG Comprehensive Plan	Total
\$ -	\$ 559
	3,658
29,266	41,564
	7,969
	6,210
<u>\$ 29,266</u>	<u>\$ 59,960</u>
\$ -	\$ 11,974
29,908	29,908
	31,145
<u>\$ 29,908</u>	<u>\$ 73,027</u>
\$ (642)	\$ (13,067)
	(3,117)
	<u>13,512</u>
\$ (642)	(2,672)
642	48,790
<u>\$ -</u>	<u>\$ 46,118</u>

Town of Hurley
RECREATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 7,298	\$ 2,298
Taxes	50	50	105	55
Charges for services	2,000	2,000	3,658	1,658
Miscellaneous	<u>3,100</u>	<u>3,100</u>	<u>5,419</u>	<u>2,319</u>
Total revenues	\$ 10,150	\$ 10,150	\$ 16,480	\$ 6,330
Expenditures:				
Current:				
Culture recreation	<u>21,461</u>	<u>21,461</u>	<u>30,304</u>	<u>(8,843)</u>
Net change in fund balance	\$ (11,311)	\$ (11,311)	\$ (13,824)	\$ (2,513)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>10,487</u>	<u>10,487</u>
Net change in fund balance after other financing sources (uses)	\$ (11,311)	\$ (11,311)	\$ (3,337)	\$ 7,974
Fund balance, July 1, 2005	<u>13,759</u>	<u>13,759</u>	<u>13,759</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 2,448</u></u>	<u><u>\$ 2,448</u></u>	<u><u>\$ 10,422</u></u>	<u><u>\$ 7,974</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (1,938)
Revenue accruals (net)				-
Expenditure accruals (net)				<u>(1,399)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (3,337)</u></u>

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

Town of Hurley
LODGER'S TAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 1,000	\$ 1,000	\$ 454	\$ (546)
Miscellaneous	<u>50</u>	<u>50</u>	<u>73</u>	<u>23</u>
Total revenues	\$ 1,050	\$ 1,050	\$ 527	\$ (523)
Expenditures:				
Current:				
Culture-recreation	<u>2,420</u>	<u>2,420</u>	<u>2,240</u>	<u>180</u>
Net change in fund balance	\$ (1,370)	\$ (1,370)	\$ (1,713)	\$ (343)
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	(1,370)	\$ (1,370)	\$ (1,713)	\$ (343)
Fund balance, July 1, 2005	<u>6,448</u>	<u>6,448</u>	<u>6,448</u>	<u>-</u>
Fund balance, June 30, 2006	<u>\$ 5,078</u>	<u>\$ 5,078</u>	<u>\$ 4,735</u>	<u>\$ (343)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (1,713)
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (1,713)</u>

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

Town of Hurley
EMS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Miscellaneous	<u>4,807</u>	<u>4,807</u>	<u>3</u>	<u>(4,804)</u>
Total revenues	\$ 9,807	\$ 9,807	\$ 5,003	\$ (4,804)
Expenditures:				
Current:				
Public safety	<u>9,777</u>	<u>9,777</u>	<u>1,886</u>	<u>7,891</u>
Net change in fund balance	\$ 30	\$ 30	\$ 3,117	\$ 3,087
Other financing sources (uses):				
Transfer out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,117)</u>	<u>\$ (3,117)</u>
Net change in fund balance after other financing sources (uses)	\$ 30	\$ 30	\$ -	\$ (30)
Fund balance, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 30</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (30)</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ -
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ -</u></u>

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

Town of Hurley
CORRECTION FEES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Fines and forfeitures	\$ 4,200	\$ 4,200	\$ 7,969	\$ 3,769
Miscellaneous	<u>2,250</u>	<u>2,250</u>	<u>715</u>	<u>(1,535)</u>
Total revenues	\$ 6,450	\$ 6,450	\$ 8,684	\$ 2,234
Expenditures:				
Current:				
Public safety	<u>4,712</u>	<u>4,712</u>	<u>10,068</u>	<u>(5,356)</u>
Net change in fund balance	\$ 1,738	\$ 1,738	\$ (1,384)	\$ (3,122)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>3,025</u>	<u>(3,025)</u>
Net change in fund balance after other financing sources (uses)	\$ 1,738	\$ 1,738	\$ 1,641	\$ (97)
Fund balance, July 1, 2005	<u>31,413</u>	<u>31,413</u>	<u>31,413</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 33,151</u></u>	<u><u>\$ 33,151</u></u>	<u><u>\$ 33,054</u></u>	<u><u>\$ (97)</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 1,621
Revenue accruals (net)				-
Expenditure accruals (net)				<u>20</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ 1,641</u></u>

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

Town of Hurley
DIAZ AVENUE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 5,498	\$ (24,502)
Expenditures:				
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>22,148</u>	<u>7,852</u>
Net change in fund balance	\$ -	\$ -	\$ (16,650)	\$ (16,650)
Other financing sources (uses):				
Transfer in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,650</u>	<u>\$ 16,650</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Town of Hurley
CDBG COMPREHENSIVE PLAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 29,266	\$ (734)
Expenditures:				
Capital outlay	<u>30,000</u>	<u>30,000</u>	<u>2,735</u>	<u>27,265</u>
Net change in fund balance	\$ -	\$ -	\$ 26,531	\$ 26,531
Other financing sources (uses):				
Transfer out	<u>-</u>	<u>-</u>	<u>(27,173)</u>	<u>(27,173)</u>
Net change in fund balance after other financing sources (uses)	\$ -	\$ -	\$ (642)	\$ (642)
Fund balance, July 1, 2005	<u>642</u>	<u>642</u>	<u>642</u>	<u>-</u>
Fund balance, June 30, 2006	<u><u>\$ 642</u></u>	<u><u>\$ 642</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (642)</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (642)
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u><u>\$ (642)</u></u>

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

Town of Hurley
SANTA RITA STREET
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 552,811	\$ 552,811	\$ 221,774	\$ (331,037)
Expenditures:				
Capital outlay	543,104	543,104	192,364	350,740
Net change in fund balance	\$ 9,707	\$ 9,707	\$ 29,410	\$ 19,703
Other financing sources (uses):				
Transfers out	-	-	(21,356)	(21,356)
Net change in fund balance after other financing sources (uses)	\$ 9,707	\$ 9,707	\$ 8,054	\$ (1,653)
Fund balance, July 1, 2005	-	-	-	-
Fund balance, June 30, 2006	\$ 9,707	\$ 9,707	\$ 8,054	\$ (1,653)

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

Town of Hurley
WATER AND SEWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 319,395	\$ 319,395	\$ 288,288	\$ (31,107)
Miscellaneous	<u>6,150</u>	<u>6,150</u>	<u>12,875</u>	<u>6,725</u>
Total revenues	<u>\$ 325,545</u>	<u>\$ 325,545</u>	<u>\$ 301,163</u>	<u>\$ (24,382)</u>
Expenses:				
Current:				
Personnel	\$ 88,000	\$ 88,000	\$ 104,606	\$ (16,606)
Operating	70,486	70,486	86,596	(16,110)
Gross receipts tax	35,000	35,000	43,185	(8,185)
Capital outlay				-
Debt service:				
Principal	1,206	1,206		1,206
Interest				-
Total expenses	<u>\$ 194,692</u>	<u>\$ 194,692</u>	<u>\$ 234,387</u>	<u>\$ (39,695)</u>
Net change in fund balance	\$ 130,853	\$ 130,853	\$ 66,776	\$ (64,077)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>(85,443)</u>	<u>(85,443)</u>
Net change in fund balance after other financing sources (uses)	\$ 130,853	\$ 130,853	\$ (18,667)	\$ (149,520)
Fund balance, July 1, 2005	<u>131,937</u>	<u>131,937</u>	<u>335,756</u>	<u>203,819</u>
Fund balance, June 30, 2006	<u>\$ 262,790</u>	<u>\$ 262,790</u>	<u>\$ 317,089</u>	<u>\$ 54,299</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (134,054)
Revenue accruals (net)				4,881
Expenditure accruals (net)				45,970
Other financing uses (net)				<u>64,536</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (18,667)</u>

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

Town of Hurley
SANITATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 120,120	\$ 120,120	\$ 108,656	\$ (11,464)
Total revenues	\$ 120,120	\$ 120,120	\$ 108,656	\$ (11,464)
Expenses:				
Current:				
Operating	99,420	99,420	110,233	(10,813)
Net change in fund balance	\$ 20,700	\$ 20,700	\$ (1,577)	\$ (22,277)
Fund balance, July 1, 2005	76,349	76,349	76,349	-
Fund balance, June 30, 2006	<u>\$ 97,049</u>	<u>\$ 97,049</u>	<u>\$ 74,772</u>	<u>\$ (22,277)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 4,304
Revenue accruals (net)				4,997
Expenditure accruals (net)				<u>(10,878)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (1,577)</u>

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

Town of Hurley
CEMETERY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For The Fiscal Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 2,150	\$ 2,150	\$ 2,800	\$ 650
Miscellaneous			460	460
	<u>2,150</u>	<u>2,150</u>	<u>3,260</u>	<u>1,110</u>
Total revenues	\$ 2,150	\$ 2,150	\$ 3,260	\$ 1,110
Expenses:				
Health and welfare	<u>1,700</u>	<u>1,700</u>	<u>988</u>	<u>712</u>
Net change in fund balance	\$ 450	\$ 450	\$ 2,272	\$ 1,822
Other financing sources (uses):				
Transfer in	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 587</u>	
Net change in fund balance after other financing sources (uses)	\$ 450	\$ 450	\$ 2,859	\$ 1,822
Fund balance, July 1, 2005	<u>18,900</u>	<u>18,900</u>	<u>18,900</u>	<u>-</u>
Fund balance, June 30, 2006	<u>\$ 19,350</u>	<u>\$ 19,350</u>	<u>\$ 21,759</u>	<u>\$ 1,822</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 3,824
Revenue accruals (net)				-
Expenditure accruals (net)				<u>(965)</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 2,859</u>

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

Town of Hurley
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2007

	Ambank
Total deposits	\$ 801,227
FDIC Insurance	(200,000)
Total uninsured public funds	\$ 601,227
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 300,614
Pledged securities	
Alamogordo Community College, 011450CC5, maturing 8-1-08	\$ 115,000
Mesa Vista Schools, 590662BQ4, maturing 10-1-10	100,000
Las Cruces Schools, 517534JF1, maturing 8-1-08	100,000
Silver City, NM 827513ES7, maturing 8-1-12	400,000
Total pledged	\$ 715,000
Pledged securities over (under) requirement	\$ 113,773

Pledged securities are held by the Federal Home Loan Bank in Dallas, Texas, with safekeeping receipts held by the Town.

Town of Hurley
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2007

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Ambank</u>			
Water/Sewer	Checking	\$ 276,041	\$ 174,765
General	Checking	152,099	109,366
Water deposit	Checking	39,694	39,438
Cemetary	Checking	21,759	21,759
Debt service	Checking	29,796	29,796
Recreation	Checking	15,114	10,422
Lodgers tax	Checking	4,735	4,735
Grant account	Checking	5,110	5,110
Law enforcement	Checking	45,736	27,321
Fire protection	Checking	86,161	84,805
Special corrections	Checking	31,167	33,054
Diaz Avenue	Checking	2,944	2,944
Water/Sewer Waste Water	Checking	17,258	17,258
Water/Sewer Investment	CD	58,942	58,942
General Investment	CD	14,671	14,671
		<u>\$ 801,227</u>	<u>\$ 634,386</u>
<u>LGIP</u>			
General			\$ 117,134
Water/Sewer			71,664
			<u>\$ 188,798</u>
			<u>\$ 823,184</u>

Town of Hurley
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2006

Findings - Financial Statement Audit

	<u>Condition</u>	<u>Current Year Status</u>
05-1	The financial reporting system not adequately designed or operated.	Repeated
05-2	The audit report was not submitted timely	Repeated
05-3	Travel and per diem reimbursement requests Not appropriately approved.	Repeated

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

**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**

Hector Balderas, State Auditor
and
Mayor and Town Council
Town of Hurley
Hurley, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hurley as of and for the year ended June 30, 2006, which collectively comprise the Town of Hurley's basic financial statements and have issued our report thereon dated April 8, 2009. We have also audited the financial statements of each of the Town's non-major governmental funds and enterprise funds as of and for the year ended June 30, 2006, and have issued our report thereon dated April 8, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Hurley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hurley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hurley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Town of Hurley's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Hurley's financial statements that is more than inconsequential will not be prevented or detected by the Town of Hurley's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These deficiencies are described in the accompanying Schedule of Findings and Responses as items 05-1, 05-2, 05-3 and 06-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Hurley's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 05-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Hurley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 05-1.

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor and Town Council, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co CPAs

April 8, 2009

Town of Hurley
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2006

Summary of Auditor's Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Town of Hurley.
2. Four significant deficiencies relating to the audit of the financial statements are reported in the "Findings Financial Statement Audit" section of this report. One condition is reported as a material weakness.
3. Instances of noncompliance material to the financial statements of the Town of Hurley, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit, and are reported as a part of finding 05-1.
4. The Town of Hurley was not subject to the provisions of OMB Circular A-133, since federal expenditures were below the A-133 threshold amount.

Findings – Financial Statement Audit

SIGNIFICANT DEFICIENCIES

05-1 Financial Reporting System

Condition – The Town's financial reporting system was not adequately designed or operated during the year ended June 30, 2006. As a result, the following deficiencies occurred:

1. Quarterly financial reports required by the Department of Finance and Administration were not timely filed.
2. Accounting records relating to check numbers did not match the actual source documents.
3. Deposits were not timely made.
4. Payroll tax deposits were not timely made; retirement contributions were not timely made, and; gross receipts tax reports were not filed timely nor were the gross receipts taxes paid timely.
5. Municipal court records were not reconciled, nor were the collections remitted timely to the Town.
6. Purchasing procedures were circumvented, with purchases being made without benefit of a previously issued purchase order.

7. Records were not maintained of debt payments due, retirement plan payments due, or payroll reports filed.
8. Expenditures in excess of budgetary authority were made in the following funds:
 - General \$171,155
 - Law Enforcement Protection \$7,438
 - Recreation \$8,843
 - Corrections \$5,356
 - Water/Sewer \$33,695
 - Sanitation \$10,813
9. A negative fund balance was incurred in the Diaz Ave. fund.

Criteria – Sound financial controls require that a financial accounting system be adequately designed and operated to comply with New Mexico Statutes and accepted accounting practices. Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority.

Cause – The Town had personnel turnover and computer failures which contributed to the financial system breakdown.

Effect – The Town was unable to record and report its financial data in accordance with sound accounting practices, federal regulations, and New Mexico statutes.

Recommendation – We recommend that the Town establish financial reporting controls sufficient to comply with reporting standards, regulations and New Mexico Statutes.

Agency Response – Events beyond control, such as continued employee turnover and computer system failure, contributed to the breakdown in financial systems. We have taken steps, such as cross-training of employees and secondary back-ups of computers which we believe will alleviate problems in the future.

05-2 Audit Report Submission

Condition – The Town's audit report was submitted to the New Mexico State Auditor by common carrier on April 21, 2009.

Criteria – Section 2.2.2.9(A)(1) of the New Mexico State Auditor's 2006 Rule requires submission of the report by December 1, 2006.

Cause – The Town's failure to maintain a sound financial accounting system as documented in finding 05-1 caused delays in filing the required report.

Effect – The late submission is a violation of the New Mexico State Auditor's Rule 2.2.2.9 NMAC, the use of the report is diminished with late delivery, and the entity's ability to respond to audit findings and other recommendations is delayed.

Recommendation – We recommend compliance with the New Mexico State Auditor's required deadlines in future audits.

Agency Response – The cause of the late audit report delivery has been addressed, and we believe that once the current audits are submitted, those through June 30, 2008, we will be able to meet the required deadlines.

05-3 Travel and Per Diem

Condition – In nine(9) of twenty five(25) travel reimbursement requests, proper approval from all parties had not been obtained.

Criteria – The Per Diem and Mileage Act, 10-8-1 to 10-8-8 NMSA 1978, requires, in part, that requests for reimbursement under the Act be properly attested to by the claimant and properly approved by the appropriate level of management.

Cause – The Town had periods during the audit year when no supervisory personnel were on staff.

Effect – This lack of control could lead inaccurate or ineligible reimbursements, and is a violation of the Mileage and Per Diem Act.

Recommendation - We recommend that reimbursements be made only upon receipt of a duly signed reimbursement request, properly approved by the appropriate personnel.

Agency Response – With the appropriate personnel now in place, reimbursements will be monitored for claimant signature and proper approval, prior to disbursement.

06-1 Financial Statement Preparation

Condition – The financial statements were prepared by the independent auditors, Stone, McGee and Co., CPA's.

Criteria – Generally accepted auditing standards require that the audited entity have the ability to understand and take responsibility for the financial statements. The financial statements are the responsibility of the entity, and should be prepared by the entity.

Cause – The Town did not have adequately trained personnel with the ability to draft the financial statements.

Effect – The Town's ability to accept responsibility for the financial statements is compromised, and there are increased audit costs associated with preparation of the financial statements.

Recommendation – We recommend that the Town hire personnel with the appropriate expertise to draft financial statements or, at a minimum, be able to understand and accept responsibility for such statements.

Agency Response – The Town has a limited budget, and had significant personnel turnover during the year under audit. Within budget constraints, we will attempt to obtain personnel with the requisite qualifications.

Other - Financial Statement Preparation

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s.

Exit Conference

The contents of this report were discussed on December 22, 2008. Attendance at this exit conference was as follows:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Ray Baca	Mayor	Town of Hurley
Annie Baca	Clerk/Treasurer	Town of Hurley
Kay Stone	Principal	Stone, McGee & Co., C.P.A.'s