

State of New Mexico
Town of Hurley

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2010
and Independent Auditors' Report*

**STATE OF NEW MEXICO
TOWN OF HURLEY**

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JUNE 30, 2010**

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**STATE OF NEW MEXICO
TOWN OF HURLEY**

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**STATE OF NEW MEXICO
TOWN OF HURLEY**

DIRECTORY OF OFFICIALS

ELECTED OFFICIALS

Edward M. Encinas
Velia Miranda
Fernando G. Martinez
Elmo Gomez
Richard R. Maynes

Mayor
Councilor
Councilor
Councilor
Mayor Pro-Team

ADMINISTRATIVE OFFICIALS

Martha Salas

Clerk-Treasurer

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas,
New Mexico State Auditor
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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town of Hurley (the "Town"), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and enterprise funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town'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 misstatement. 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue 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 the Town as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major enterprise funds, major capital projects funds and all nonmajor governmental 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 June 12, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
June 12, 2012

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 974,650	\$ 1,104,743	\$ 2,079,393
Investments	3,108	1,901	5,009
Receivables:			
Accounts	230,599	136,699	367,298
Taxes	18,840	854	19,694
Total current assets	<u>1,227,197</u>	<u>1,244,197</u>	<u>2,471,394</u>
Other	1,404	-	1,404
NON-CURRENT ASSETS:			
Capital assets, not depreciated	2,823,782	-	2,823,782
Capital assets, net of accumulated depreciation	<u>5,417,912</u>	<u>800,747</u>	<u>6,218,659</u>
Total assets	<u>\$ 9,470,295</u>	<u>\$ 2,044,944</u>	<u>\$ 11,515,239</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 233,421	\$ 5,492	\$ 238,913
Accrued compensation and benefits	9,200	802	10,002
Customer deposits	-	91,727	91,727
Total current liabilities	<u>242,621</u>	<u>98,021</u>	<u>340,642</u>
NON-CURRENT LIABILITIES:			
Compensated absences:			
Due within one year	6,563	7,619	14,182
Landfill closure, due after one year	-	58,832	58,832
Total liabilities	<u>249,184</u>	<u>164,472</u>	<u>413,656</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,241,694	800,747	9,042,441
Restricted for:			
Debt services	887	-	887
Special revenue	246,579	-	246,579
Capital projects	21,613	-	21,613
Unrestricted	<u>710,338</u>	<u>1,079,725</u>	<u>1,790,063</u>
Total net assets	<u>9,221,111</u>	<u>1,880,472</u>	<u>11,101,583</u>
Total liabilities and net assets	<u>\$ 9,470,295</u>	<u>\$ 2,044,944</u>	<u>\$ 11,515,239</u>

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs Primary Government:	Program Revenues			Primary Government Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 167,247	\$ 20,750	\$ 147,906	\$ -	\$ 1,409	\$ -	\$ 1,409
Public safety	300,168	-	77,451	-	(222,717)	-	(222,717)
Highways and streets	11,834	-	22,400	1,585,033	1,595,599	-	1,595,599
Culture and recreation	37,044	-	-	-	(37,044)	-	(37,044)
Total governmental activities	516,293	20,750	247,757	1,585,033	1,337,247	-	1,337,247
Business-type Activities:							
Water and sewer	227,833	436,782	-	-	-	208,949	208,949
Cemetery	-	1,200	-	-	-	1,200	1,200
Sanitation	84,055	105,309	-	-	-	21,254	21,254
Total business-type activities	311,888	543,291	-	-	-	231,403	231,403
Total primary government	\$ 828,181	\$ 564,041	\$ 247,757	\$ 1,585,033	\$ 1,337,247	\$ 231,403	\$ 1,568,650
General Revenues:							
Property taxes					14,629	-	14,629
Gross receipts taxes					227,107	-	227,107
MVD taxes					3,180	-	3,180
Gasoline taxes					8,374	-	8,374
Franchise taxes					24,646	-	24,646
Other taxes					350	-	350
Interests and investment earnings					3,834	16,007	19,841
Miscellaneous					35,099	14,848	49,947
Total general revenues and transfers					317,219	30,855	348,074
Change in net assets					1,654,466	262,258	1,916,724
Net assets - beginning of year					7,566,645	1,618,214	9,184,859
Net assets - end of year					\$ 9,221,111	\$ 1,880,472	\$ 11,101,583

See accompanying notes to financial statements and independent auditor report.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF HURLEY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Fire Fund	Diaz Avenue Fund	Waste Water Plant	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 691,829	\$ 140,794	\$ -	\$ 32,880	\$ 109,147	\$ 974,650
Investments	3,108	-	-	-	-	3,108
Receivables:						
Taxes						
Gross receipts tax	18,012	-	-	-	828	18,840
Accounts receivable	1,286	-	229,313	-	-	230,599
Other	1,404	-	-	-	-	1,404
Total assets	\$ 715,639	\$ 140,794	\$ 229,313	\$ 32,880	\$ 109,975	\$ 1,228,601
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 69	\$ 233,352	\$ -	\$ -	\$ 233,421
Accrued compensation and benefits	15,763	-	-	-	-	15,763
Due to other governments	-	-	-	7,228	3,234	10,462
Total liabilities	15,763	69	233,352	7,228	3,234	259,646
Fund balances:						
Reserved for special revenue fund	-	140,725	-	-	105,854	246,579
Reserve for capital projects funds	-	-	(4,039)	25,652	-	21,613
Reserve for debt service funds	-	-	-	-	887	887
Unreserved	699,876	-	-	-	-	699,876
Total fund balances	699,876	140,725	(4,039)	25,652	106,741	968,955
Total liabilities and fund balances	\$ 715,639	\$ 140,794	\$ 229,313	\$ 32,880	\$ 109,975	\$ 1,228,601

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for government activities in the statement of net assets are different because:

Fund balances - total governmental funds		\$	968,955
Accrued compensated absences not payable from current revenue			10,462
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			
Total cost of capital assets	10,487,355		
Accumulated depreciation	(2,245,661)		
			<u>8,241,694</u>
Net assets - Statement of Net Assets		\$	<u>9,221,111</u>

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Fire Fund	Diaz Avenue Fund	Waste Water Plant	Total Nonmajor Funds	Total
Revenues:						
Property taxes	\$ 10,135	\$ -	\$ -	\$ -	\$ -	\$ 14,629
Franchise taxes	24,646	-	-	-	-	24,646
Gasoline taxes	8,374	-	-	-	-	8,374
Gross receipts taxes	224,452	-	-	-	2,655	227,107
MVD taxes	3,180	-	-	-	-	3,180
Other taxes	207	-	-	-	143	350
Intergovernmental	-	77,451	-	-	-	77,451
State sources	147,906	-	551,356	1,352,480	22,400	2,074,142
Fines, licenses and permits	3,821	-	-	-	6,397	10,218
Charges for services	10,532	-	-	-	-	10,532
Investment income	3,466	267	-	-	101	3,834
Miscellaneous	1,021	272	-	19,016	14,790	35,099
Total revenues	437,740	77,990	551,356	1,371,496	50,980	2,489,562
Expenditures:						
Current:						
General government	167,247	-	-	-	-	167,247
Public safety	231,259	39,588	-	-	29,321	300,168
Highways and streets	11,834	-	-	-	-	11,834
Culture and recreation	-	-	-	-	37,044	37,044
Capital outlay	-	-	539,965	1,346,257	-	1,886,222
Total expenditures	410,340	39,588	539,965	1,346,257	66,365	2,402,515
Excess (deficiency) of revenues over expenditures	27,400	38,402	11,391	25,239	(15,385)	87,047
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net changes in fund balances	27,400	38,402	11,391	25,239	(15,385)	87,047
Fund balance - beginning of year	672,476	102,323	(15,430)	413	122,126	881,908
Fund balance - end of year	\$ 699,876	\$ 140,725	\$ (4,039)	\$ 25,652	\$ 106,741	\$ 968,955

See accompanying notes to financial statements and independent auditor's report.

STATE OF NEW MEXICO
TOWN OF HURLEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010

The changes in net assets reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 87,047

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(126,667)	
Capital outlay	<u>1,681,224</u>	
Excess of capital outlay over depreciation expense		1,554,557

Revenue that was recognized in the funds in 2010, but deferred in 2009.		<u>12,862</u>
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Change in net assets of governmental activities \$1,654,466

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 117,323	\$ 117,323	\$ 233,492	\$ 116,169
Licenses, permits, fees and fines	8,458	8,458	3,821	(4,637)
Charges for services	6,658	6,658	10,532	3,874
Intergovernmental	249,610	249,610	147,906	(101,704)
Investment income	4,937	4,937	3,466	(1,471)
Grant	3,393	3,393	-	(3,393)
Miscellaneous	7,565	7,565	1,021	(6,544)
Total revenues	<u>397,944</u>	<u>397,944</u>	<u>400,238</u>	<u>2,294</u>
Expenditures:				
Current:				
General government	178,854	178,854	167,247	11,607
Public safety	280,373	280,373	231,259	49,114
Highways and streets	24,329	24,329	11,834	12,495
Culture and recreation	9,623	9,623	-	9,623
Total expenditures	<u>493,179</u>	<u>493,179</u>	<u>410,340</u>	<u>82,839</u>
Excess (deficiency) of revenues over expenditures	<u>(95,235)</u>	<u>(95,235)</u>	<u>(10,102)</u>	<u>85,133</u>
Other financing sources (uses):				
Operating transfers in	6,744	6,744	-	(6,744)
Operating transfers out	<u>(32,841)</u>	<u>(32,841)</u>	<u>-</u>	<u>32,841</u>
Total other financing sources (uses)	<u>(26,097)</u>	<u>(26,097)</u>	<u>-</u>	<u>26,097</u>
Net changes in fund balances	(121,332)	(121,332)	(10,102)	111,230
Fund balance - beginning of year	<u>672,476</u>	<u>672,476</u>	<u>672,476</u>	<u>-</u>
Fund balance - end of year	<u>\$ 551,144</u>	<u>\$ 551,144</u>	<u>\$ 662,374</u>	<u>\$ 111,230</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (10,102)	
Change in:				
Net receivable			37,502	
Net payable			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 27,400</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Grants	\$ 77,451	\$ 77,451	\$ 77,451	\$ -
Investment income	-	-	267	267
Miscellaneous	-	-	272	272
Total revenue	<u>77,451</u>	<u>77,451</u>	<u>77,990</u>	<u>539</u>
Expenditures:				
Public safety	<u>217,533</u>	<u>217,533</u>	<u>39,588</u>	<u>177,945</u>
Net change in fund balance	(140,082)	(140,082)	38,402	(178,484)
Fund balance - beginning of year	<u>102,323</u>	<u>102,323</u>	<u>102,323</u>	<u>-</u>
Fund balance - end of year	<u>\$ (37,759)</u>	<u>\$ (37,759)</u>	<u>\$ 140,725</u>	<u>\$ (178,484)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 38,402	
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 38,402</u>	

See accompanying notes to financial statements and independent auditor' report.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	Water/Sewer	Cemetery	Sanitation	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 956,937	\$ 32,258	\$ 115,548	\$ 1,104,743
Investments	1,901	-	-	1,901
Taxes receivable	-	-	854	854
Accounts receivable	132,783	-	3,916	136,699
Total current assets	1,091,621	32,258	120,318	1,244,197
Restricted assets				
Customer deposits	-	-	-	-
Total restricted assets	-	-	-	-
Noncurrent Assets:				
Capital assets, net of accumulated depreciation	800,747	-	-	800,747
Total assets	\$ 1,892,368	\$ 32,258	\$ 120,318	\$ 2,044,944
LIABILITIES AND NET ASSETS:				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ 5,492	\$ 5,492
Accrued liabilities	120	-	682	802
Customer deposits	91,727	-	-	91,727
Total current liabilities:	91,847	-	6,174	98,021
Noncurrent Liabilities:				
Long term debt	-	-	58,832	58,832
Compensated absences	7,619	-	-	7,619
Total noncurrent liabilities:	7,619	-	58,832	66,451
Total liabilities	99,466	-	65,006	164,472
Net Assets:				
Invested in capital assets, net of related debt	800,747	-	-	800,747
Unrestricted	992,155	32,258	55,312	1,079,725
Total net assets	1,792,902	32,258	55,312	1,880,472
Total liabilities and net assets	\$ 1,892,368	\$ 32,258	\$ 120,318	\$ 2,044,944

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Water/Sewer	Cemetery	Sanitation	Total
Operating Revenues:				
Service fees	\$ 436,782	\$ 1,200	\$ 105,309	\$ 543,291
Total operating revenues	<u>436,782</u>	<u>1,200</u>	<u>105,309</u>	<u>543,291</u>
Operating Expenses:				
Professional services	157,374	-	-	157,374
Operating	66,634	-	84,055	150,689
Depreciation	3,825	-	-	3,825
Total operating expenses	<u>227,833</u>	<u>-</u>	<u>84,055</u>	<u>311,888</u>
Operating income (loss)	<u>208,949</u>	<u>1,200</u>	<u>21,254</u>	<u>231,403</u>
Nonoperating revenues (expenses)				
Interest income	15,832	122	53	16,007
Miscellaneous income (expenses)	14,880	(32)	-	14,848
Total nonoperating revenues (expenses)	<u>30,712</u>	<u>90</u>	<u>53</u>	<u>30,855</u>
Change in net assets	239,661	1,290	21,307	262,258
Net assets - beginning of year	<u>1,553,241</u>	<u>30,968</u>	<u>34,005</u>	<u>1,618,214</u>
Net assets - end of year	<u>\$ 1,792,902</u>	<u>\$ 32,258</u>	<u>\$ 55,312</u>	<u>\$ 1,880,472</u>

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR JUNE 30, 2010**

	Water/Sewer	Cemetery	Sanitation	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 362,327	\$ 1,182	\$ 92,453	\$ 455,962
Cash payments to suppliers for goods and services	(157,374)	-	(70,136)	(227,510)
Cash payments to employees for services	(70,459)	-	-	(70,459)
Net cash provided by operating activities	<u>134,494</u>	<u>1,182</u>	<u>22,317</u>	<u>157,993</u>
Cash Flows From Investing Activities:				
Interest from investments	34,135	108	53	34,296
Purchase of investments, net	78,462	-	-	78,462
Net cash provided by investing activities	<u>112,597</u>	<u>108</u>	<u>53</u>	<u>112,758</u>
Net increase in cash and cash equivalents	247,091	1,290	22,370	270,751
Cash and cash equivalents, beginning of year	709,846	30,968	93,178	833,992
Cash and cash equivalents, end of year	<u>\$ 956,937</u>	<u>\$ 32,258</u>	<u>\$ 115,548</u>	<u>\$ 1,104,743</u>
Cash and cash equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 956,937	\$ 32,258	\$ 115,548	\$ 1,104,743
	<u>\$ 956,937</u>	<u>\$ 32,258</u>	<u>\$ 115,548</u>	<u>\$ 1,104,743</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 205,124	\$ 1,200	\$ 21,254	\$ 227,578
Adjustment to reconcile operating loss to net cash used in operating activities:				
Depreciation	3,825	-	-	3,825
Change in:				
Customer deposits	24,249	-	-	24,249
Accounts receivable	(98,704)	(18)	481	(98,241)
Accounts payable	-	-	(100)	(100)
Accrued expenses	-	-	682	682
Total adjustments	<u>(70,630)</u>	<u>(18)</u>	<u>1,063</u>	<u>(69,585)</u>
Net cash provided by operating activities	<u>\$ 134,494</u>	<u>\$ 1,182</u>	<u>\$ 22,317</u>	<u>\$ 157,993</u>

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the Town and entities for which the Town is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2010.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations.

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

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Town follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax, gasoline taxes, and cigarette taxes.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

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

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has legal claim to the resources, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The Town reports the following major governmental funds:

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

Fire - This special revenue fund accounts 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.

Diaz Avenue - To account for the grant revenue and the expenses therefrom to resurface the Town Streets.

Waste Water Plant - To account for the revenues and the expenditures to construct a tri-city waste water facility.

The Town reports the following major proprietary fund:

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

B. 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.

C. Capital Assets

Capital assets which include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide

financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Town has elected not to retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 - 20 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.

D. 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.

E. 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.

F. Net Assets

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.

G. Interfund Transactions

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. Revenues, Expenditures and Expenses

Gross Receipts Tax

The Town levies a 7.125% 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 assess 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, 2009 was \$1.291 per \$1,000 for nonresidential property and residential property. The Town's tax rate for debt service was -0- per \$1,000 for both residential and nonresidential property.

Operating Revenue 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 Activities are charges for services such as copies, pool entry fees, 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.

I. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents.

J. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general and special revenue funds.

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

1. Prior to June 1, the Town Administrator submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Town Hall to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The Town Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the Town Council and the New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, and capital projects funds.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Analysis for Impairment

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measures based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2010.

M. Implementation of New Accounting Standards

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. This Statement is intended to improve how governments report information about derivative instruments. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was effective upon issuance. The objective of this Statement is to

incorporate the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56 Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which was effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Town incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of

1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Town is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name. As of June 30, 2010, the Town's bank balance total of \$1,694,785 was exposed to credit risk in the amount of \$1,444,785 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Town's name	\$1,444,785
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Town is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Town is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Town has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

Investments

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town's investment policy allows only investments in the State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool (LGIP) is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10 I through 6-10-10 P and Sections 6-10-10-

.1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer's office issues separate financial statements which disclose the collateral pledged to secure those deposits.

LGIP does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Interest Rate Risk - Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. The LGIP's weighted average maturity at June 30, 2010 was 50 days.

3. RECEIVABLES

Governmental activities receivables consist of the following at June 30, 2010:

	General Fund	Diaz Avenue	Special Revenue Funds	Total Governmental Activities
Taxes	\$ 18,012	\$ -	\$ 828	\$ 18,840
Other	<u>1,286</u>	<u>229,313</u>	<u>-</u>	<u>230,599</u>
Total	<u>\$ 19,298</u>	<u>\$ 229,313</u>	<u>\$ 828</u>	<u>\$ 249,439</u>

Business-type receivables consist of the following at June 30, 2010:

	Water / Sewer	Cemetery	Sanitation	Total Business Type Activities
Taxes	\$ -	\$ -	\$ 854	\$ 854
Other	<u>132,783</u>	<u>-</u>	<u>3,916</u>	<u>136,699</u>
Total	<u>\$ 132,783</u>	<u>\$ -</u>	<u>\$ 4,770</u>	<u>\$ 137,553</u>

4. CAPITAL ASSETS

Governmental fund capital asset activity for the year was as follows:

	Balance June 30, 2009	Additions	Retirements	Adjustments	Balance June 30, 2010
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 13,248	\$ -	\$ -	\$ -	\$ 13,248
Construction in progress	<u>1,129,310</u>	<u>1,681,224</u>	<u>-</u>	<u>-</u>	<u>2,810,534</u>
Total capital assets not being depreciated	<u>1,142,558</u>	<u>1,681,224</u>	<u>-</u>	<u>-</u>	<u>2,823,782</u>
Capital assets being depreciated:					
Buildings, improvements and other infrastructure	6,433,355	-	-	-	6,433,355
Equipment	<u>1,230,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,230,218</u>
Total capital assets being depreciated	<u>7,663,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,663,573</u>
Less accumulated depreciation for:					
Buildings, improvements and other infrastructure	(1,458,071)	(126,667)	-	-	(1,584,738)
Equipment	<u>(660,923)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(660,923)</u>
Total accumulated depreciation	<u>(2,118,994)</u>	<u>(126,667)</u>	<u>-</u>	<u>-</u>	<u>(2,245,661)</u>
Total capital assets being depreciated, net	<u>5,544,579</u>	<u>(126,667)</u>	<u>-</u>	<u>-</u>	<u>5,417,912</u>
Governmental activities capital assets, net	<u>\$ 6,687,137</u>	<u>\$ 1,554,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,241,694</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions and funds:

General government	\$ 32,516
Public safety	69,921
Highways and streets	7,905
Health and welfare	9,055
Culture and recreation	<u>7,270</u>
Total Governmental Activities depreciated expense	<u>\$ 126,667</u>

Enterprise fund capital asset activity for the year was as follows:

	Balance June 30, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 18,790	\$ -	\$ -	\$ -	\$ 18,790
Total capital assets not being depreciated	<u>18,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,790</u>
Capital assets being depreciated:					
Buildings and utility plant	2,464,903	-	-	-	2,464,903
Equipment	<u>118,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,006</u>
Total capital assets being depreciated	<u>2,582,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,582,909</u>
Less accumulated depreciation for:					
Buildings and utility plant	(1,739,310)	(3,825)	-	-	(1,743,135)
Equipment	<u>(57,817)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,817)</u>
Total accumulated depreciation	<u>(1,797,127)</u>	<u>(3,825)</u>	<u>-</u>	<u>-</u>	<u>(1,800,952)</u>
Total capital assets being depreciated, net	<u>785,782</u>	<u>(3,825)</u>	<u>-</u>	<u>-</u>	<u>781,957</u>

Business Type capital assets, net	\$	804,572	\$	(3,825)	\$	-	\$	-	\$	800,747
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5. LONG TERM OBLIGATIONS

Long term liability activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 6,563	\$ -	\$ -	\$ 6,563	\$ 6,563
Business Type Activities:					
Landfill closure	\$ 58,832	\$ -	\$ -	\$ 58,832	\$ -
Compensated absences	7,619	-	-	7,619	7,619
Total Business Type	\$ 66,451	\$ -	\$ -	\$ 66,451	\$ 7,619

Tri-City Landfill - The Town of Hurley along with Bayard and Santa Clara were provided with a primary sanitary landfill site from the Tri-City Landfill Commission (the commission). On April 8, 1996, the Commission closed its landfill site and solid waste was no longer accepted. Until August 2001, the Commission collected monthly landfill fees from the Tri-Cities and paid a lump sum to the regional landfill (Southwest Solid Waste Authority). As of September 2001, the Southwest Solid Waste Authority began billing their fees directly to each individual municipality. The Commission's current function is the responsibility of assessing the closure and post-closure activity of the Tri-City landfill site.

State and federal laws require that the Commission perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In addition to post-closure costs, a landfill operation must also set aside contingency funds for closure and groundwater assessment activities in the event that the landfill's normal operating budget is insufficient to cover closure and groundwater assessment activities. These requirements are known as "financial assurance" for closure, assessment and post-closure activities. Only the post-closure groundwater monitoring costs are a certain cost. Normally, assessment costs will be funded from the normal operating budget. Therefore, the estimated financial assurance costs are recognized as a liability. The total estimated liability for assessment and post-closure care costs is \$264,130 as of June 30, 2009, which is based on one hundred percent usage of the landfill. The Town of Hurley's share is estimated at \$58,832. The total current estimated current cost of the landfill, assessment and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of June 30, 2009. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Commission is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

Accrued 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.

6. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance.

7. EXPENDITURES BEYOND APPROPRIATIONS

The following funds over-expended budgeted amounts at June 30, 2010 as follows:

Fund	Budget Expenditures	Actual Expenditures	Excess Expenditures
Replacement	\$ -	\$ 6,388	\$ 6,388
Santa Rita Street	-	5,110	5,110
E Street Phase II	-	30	30

The Town has implemented procedures to ensure compliance in the future.

8. BUDGETED DEFICIT FUND BALANCE

The following funds budgeted a deficit fund balance as of June 30, 2010:

Diaz Avenue Fund	\$ 21,818
Fire Fund	37,759

9. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2010:

Diaz Avenue Fund	\$ 4,039
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10. RETIREMENT PLANS

The Town sponsors a AIM Simple IRA Plan for eligible employees. The Town's contributions to the plan are dollar for dollar of the employees' contributions, not to exceed 3% of gross wages. The Town's matching contribution for the year ended June 30, 2010 was approximately \$1,511.

11. CONTINGENCIES

Tri-City Landfill - The Town of Hurley along with Bayard and Santa Clara were provided with a primary sanitary landfill site from the Tri-City Landfill Commission (the commission). On April 8, 1996, the Commission closed its landfill site and solid waste was no longer accepted. Until August 2001, the Commission collected monthly landfill fees from the Tri-Cities and paid a lump sum to the regional landfill (Southwest Solid Waste Authority). As of September 2001, the Southwest Solid Waste Authority began billing their fees directly to each individual municipality. The Commission's current function is the responsibility of assessing the closure and post-closure activity of the Tri-City landfill site.

State and federal laws require that the Commission perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In addition to post-closure costs, a landfill operation must also set aside contingency funds for closure and groundwater assessment activities in the event that the landfill's normal operating budget is insufficient to cover

closure and groundwater assessment activities. These requirements are known as “financial assurance” for closure, assessment and post-closure activities. Only the post-closure groundwater monitoring costs are a certain cost. Normally, assessment costs will be funded from the normal operating budget. Therefore, the estimated financial assurance costs are recognized as a liability. The total estimated liability for assessment and post-closure care costs is \$264,130 as of June 30, 2009, which is based on one hundred percent usage of the landfill. The Town of Hurley's share is estimated at \$58,832. The total current estimated current cost of the landfill, assessment and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of June 30, 2010. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Commission is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

12. SUBSEQUENT EVENTS

In December 2010, the Regional Wastewater Treatment and Sewer Disposal Agreement became effective between the Town of Hurley, the City of Bayard, the Village of Santa Rosa, and the New Mexico Department of Health (the Medical Center). The Regional Wastewater Treatment and Sewer Disposal Agreement was originally signed in April 20, 2009. The purpose of this agreement is to protect the water supply of each of the municipal parties for the health and welfare of the residents thereof and the health and welfare of parties, employees and visitors to the Medical Center. In addition, each of the parties agreed that the Regional Wastewater Treatment and Sewer Disposal Agreement shall be maintained and operated by Bayard and shall be available for the benefit of all parties. The Town of Hurley is responsible for the reimbursement to the City of Bayard for expenditures for the plan, design and construction of Wastewater Treatment Facility. The Town of Hurley portion is \$191,150 to be paid back in twenty (20) years. The first installment was paid on Mach 2011.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**NONMAJOR FUNDS
JUNE 30, 2010**

SPECIAL REVENUE FUNDS

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.

Recreation - To account for the operation and maintenance of the Town's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

Correction Fees Fund - To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NMSA 1978)

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.

Environmental - To account for a gross receipts tax dedicated for acquisition, construction operation and maintenance of water facilities, wastewater facilities, sewer systems and related facilities. Authority is local ordinance authorized by NMSA 1978 7-19D-10.

Replacement / Reserve - The authority created this fund according to Section 58-18-12 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

Santa Rita Street - To account for the grant revenues and the expenditures therefrom to resurface Town streets.

"E" Street and Diaz Avenue - These capital project funds account for the grant revenues and the expenditures to resurface the Town streets.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 108,260	\$ -	\$ 887	\$ 109,147
Taxes receivables	828	-	-	828
Total assets	\$ 109,088	\$ -	\$ 887	\$ 109,975
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due from other governments	\$ 3,234	\$ -	\$ -	\$ 3,234
Total liabilities	3,234	-	-	3,234
Fund balances:				
Reserved for::				
Special revenue funds	105,854	-	-	105,854
Debt service funds	-	-	887	887
Total Fund Balance	105,854	-	887	106,741
Total liabilities and fund balances	\$ 109,088	\$ -	\$ 887	\$ 109,975

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 7,292	\$ -	\$ -	\$ 7,292
Licenses, permits, fees and fines	6,397	-	-	6,397
From non-federal sources				
Grants	22,400	-	-	22,400
Investment income	101	-	-	101
Miscellaneous	14,790	-	-	14,790
Total revenues	50,980	-	-	50,980
Expenditures:				
Current:				
Public safety	24,181	5,140	-	29,321
Culture and recreation	37,044	-	-	37,044
Total expenditures	61,225	5,140	-	66,365
Net changes in fund balances	(10,245)	(5,140)	-	(15,385)
Fund balance - beginning of year	116,099	5,140	887	122,126
Fund balance - end of year	\$ 105,854	\$ -	\$ 887	\$ 106,741

See accompanying notes to financial statements and independent auditor' report.

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Law Enforcement	Recreation	Correction Fees	EMS	Environmental	Replacement	Lodgers Tax	Total Nonmajor Special Revenue
ASSETS								
Cash and investments	\$ 33,717	\$ 50	\$ 46,795	\$ 5,633	\$ 10,979	\$ -	\$ 11,086	\$ 108,260
Taxes receivables	-	-	-	-	828	-	-	828
Total assets	\$ 33,717	\$ 50	\$ 46,795	\$ 5,633	\$ 11,807	\$ -	\$ 11,086	\$ 109,088
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due from other governments	3,094	36	27	-	-	-	77	3,234
Total liabilities	3,094	36	27	-	-	-	77	3,234
Fund balances:								
Reserved for:								
Special revenue funds	30,623	14	46,768	5,633	11,807	-	11,009	105,854
Total Fund Balance	30,623	14	46,768	5,633	11,807	-	11,009	105,854
Total liabilities and fund balances	\$ 33,717	\$ 50	\$ 46,795	\$ 5,633	\$ 11,807	\$ -	\$ 11,086	\$ 109,088

See accompanying notes to financial statements and independent auditor's report.

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Law Enforcement	Recreation	Correction Fees	EMS	Environmental	Replacement	Lodgers Tax	Total Nonmajor Special Revenue
Revenues:								
Taxes	\$ -	\$ 102	\$ -	\$ -	\$ 5,230	\$ -	\$ 1,960	\$ 7,292
Licenses, permits, fees and fines	-	-	6,397	-	-	-	-	6,397
From non-federal sources								
Grants	22,400	-	-	-	-	-	-	22,400
Investment income	-	6	89	-	-	-	6	101
Miscellaneous	-	13,440	1,252	-	-	-	98	14,790
Total revenues	22,400	13,548	7,738	-	5,230	-	2,064	50,980
Expenditures:								
Current:								
Public safety	20,300	-	404	3,477	-	-	-	24,181
Culture and recreation	-	30,656	-	-	-	6,388	-	37,044
Total expenditures	20,300	30,656	404	3,477	-	6,388	-	61,225
Net changes in fund balances	2,100	(17,108)	7,334	(3,477)	5,230	(6,388)	2,064	(10,245)
Fund balance - beginning of year	28,523	17,122	39,434	9,110	6,577	6,388	8,945	116,099
Fund balance - end of year	\$ 30,623	\$ 14	\$ 46,768	\$ 5,633	\$ 11,807	\$ -	\$ 11,009	\$ 105,854

See accompanying notes to financial statements and independent auditor's report.

STATE OF NEW MEXICO
TOWN OF HURLEY

LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Grants	\$ 22,475	\$ 22,475	\$ 22,400	\$ (75)
Total revenue	<u>22,475</u>	<u>22,475</u>	<u>22,400</u>	<u>(75)</u>
Expenditures:				
Current:				
Public safety	50,998	50,998	20,300	30,698
Total expenditures	<u>50,998</u>	<u>50,998</u>	<u>20,300</u>	<u>30,698</u>
Net change in fund balance	(28,523)	(28,523)	2,100	(30,623)
Fund balance - beginning of year	28,523	28,523	28,523	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,623</u>	<u>\$ (30,623)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 2,100	
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 2,100</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 182	\$ 182	\$ 102	\$ (80)
Investment income	508	508	6	(502)
Miscellaneous	-	-	13,440	13,440
Total revenue	<u>690</u>	<u>690</u>	<u>13,548</u>	<u>12,858</u>
Expenditures:				
Current:				
Culture and recreation	<u>31,369</u>	<u>31,369</u>	<u>30,656</u>	<u>713</u>
Total expenditures	<u>31,369</u>	<u>31,369</u>	<u>30,656</u>	<u>713</u>
Excess (deficiency) of revenues over expenditures	<u>(30,679)</u>	<u>(30,679)</u>	<u>(17,108)</u>	<u>12,145</u>
Other financing sources (uses):				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	-	<u>(20,000)</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	-	<u>(20,000)</u>
Net change in fund balance after other financing sources (uses)	(10,679)	(10,679)	(17,108)	(7,855)
Fund balance - beginning of year	<u>17,122</u>	<u>17,122</u>	<u>17,122</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,443</u>	<u>\$ 6,443</u>	<u>\$ 14</u>	<u>\$ (7,855)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (17,108)	
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ (17,108)</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

CORRECTION FEES FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Licenses, permits, fees and fines	\$ 3,247	\$ 3,247	\$ 6,397	\$ 3,150
Investment income	602	602	89	(513)
Miscellaneous	506	506	1,252	746
Total revenues	<u>4,355</u>	<u>4,355</u>	<u>7,738</u>	<u>3,383</u>
Expenditures:				
Current:				
Public safety	1,072	1,072	404	668
Total expenditures	<u>1,072</u>	<u>1,072</u>	<u>404</u>	<u>668</u>
Excess (deficiency) of revenues over expenditures	<u>3,283</u>	<u>3,283</u>	<u>7,334</u>	<u>4,051</u>
Net changes in fund balances	3,283	3,283	7,334	4,051
Fund balance - beginning of year	<u>39,434</u>	<u>39,434</u>	<u>39,434</u>	<u>-</u>
Fund balance - end of year	<u>\$ 42,717</u>	<u>\$ 42,717</u>	<u>\$ 46,768</u>	<u>\$ 4,051</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 7,334	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 7,334</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

EMS FUND

STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	4,229	4,229	3,477	752
Total expenditures	<u>4,229</u>	<u>4,229</u>	<u>3,477</u>	<u>752</u>
Excess (deficiency) of revenues over expenditures	<u>(4,229)</u>	<u>(4,229)</u>	<u>(3,477)</u>	<u>752</u>
Other financing sources (uses):				
Operating transfers in	4,229	4,229	-	(4,229)
Total other financing sources (uses)	<u>4,229</u>	<u>4,229</u>	<u>-</u>	<u>(4,229)</u>
Net changes in fund balances	-	-	(3,477)	(3,477)
Fund balance - beginning of year	9,110	9,110	9,110	-
Fund balance - end of year	<u>\$ 9,110</u>	<u>\$ 9,110</u>	<u>\$ 5,633</u>	<u>\$ (3,477)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (3,477)	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ (3,477)</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

ENVIRONMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 5,305	\$ 5,305	\$ 4,348	\$ (957)
Total revenues	<u>5,305</u>	<u>5,305</u>	<u>4,348</u>	<u>(957)</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>5,305</u>	<u>5,305</u>	<u>4,348</u>	<u>(957)</u>
Net changes in fund balances	5,305	5,305	4,348	(957)
Fund balance - beginning of year	<u>6,577</u>	<u>6,577</u>	<u>6,577</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,882</u>	<u>\$ 11,882</u>	<u>\$ 10,925</u>	<u>\$ (957)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 4,348	
Change in:				
Net receivable			882	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 5,230</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>6,388</u>	<u>(6,388)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,388</u>	<u>(6,388)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(6,388)</u>	<u>(6,388)</u>
Other financing sources (uses):				
Net changes in fund balances	-	-	(6,388)	(6,388)
Fund balance - beginning of year	<u>6,388</u>	<u>6,388</u>	<u>6,388</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,388</u>	<u>\$ 6,388</u>	<u>\$ -</u>	<u>\$ (6,388)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (6,388)	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ (6,388)</u>	

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**LODGERS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,226	\$ 2,226	\$ 1,960	\$ (266)
Investment income	157	157	6	(151)
Miscellaneous	-	-	98	98
Total revenues	<u>2,383</u>	<u>2,383</u>	<u>2,064</u>	<u>(319)</u>
Expenditures:				
Current:				
Culture and recreation	<u>1,767</u>	<u>1,767</u>	-	<u>1,767</u>
Total expenditures	<u>1,767</u>	<u>1,767</u>	<u>-</u>	<u>1,767</u>
Excess (deficiency) of revenues over expenditures	<u>616</u>	<u>616</u>	<u>2,064</u>	<u>1,448</u>
Net changes in fund balances	616	616	2,064	1,448
Fund balance - beginning of year	<u>8,945</u>	<u>8,945</u>	<u>8,945</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,561</u>	<u>\$ 9,561</u>	<u>\$ 11,009</u>	<u>\$ 1,448</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 2,064	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 2,064</u>	

See accompanying notes to financial statements and independent auditor' report.

CAPITAL PROJECTS FUNDS

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010**

	Santa Rita Street	E Street (Phase II) Fund	Total Nonmajor Capital Projects
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balances:			
Unreserved, undesignated reported in:			
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010**

	Santa Rita Street	E Street (Phase II) Fund	Total Nonmajor Capital Projects
Revenues:			
Taxes	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Public safety	5,110	30	5,140
Total expenditures	<u>5,110</u>	<u>30</u>	<u>5,140</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(5,110)</u>	<u>(30)</u>	<u>(5,140)</u>
Other financing sources (uses):			
Operating transfer in	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(5,110)	(30)	(5,140)
Fund balance - beginning of year	5,110	30	5,140
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

SANTA RITA STREET FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Operating	<u>-</u>	<u>-</u>	5,110	(5,110)
Total expenditures	<u>-</u>	<u>-</u>	<u>5,110</u>	<u>(5,110)</u>
Net changes in fund balances	-	-	(5,110)	(5,110)
Fund balance - beginning of year	<u>5,110</u>	<u>5,110</u>	<u>5,110</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5,110</u>	<u>\$ 5,110</u>	<u>\$ -</u>	<u>\$ (5,110)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (5,110)	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ (5,110)</u>	

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**E STREET PHASE II FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public safety	-	-	30	(30)
Total expenditures	<u>-</u>	<u>-</u>	<u>30</u>	<u>(30)</u>
Net changes in fund balances	-	-	(30)	(30)
Fund balance - beginning of year	<u>30</u>	<u>30</u>	<u>30</u>	<u>-</u>
Fund balance - end of year	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ (30)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (30)	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ (30)</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

DIAZ AVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 2,875,000	\$ 2,875,000	\$ 322,043	\$ (2,552,957)
Total revenues	<u>2,875,000</u>	<u>2,875,000</u>	<u>322,043</u>	<u>(2,552,957)</u>
Expenditures:				
Capital outlay	2,947,932	2,947,932	539,965	2,407,967
Total expenditures	<u>2,947,932</u>	<u>2,947,932</u>	<u>539,965</u>	<u>2,407,967</u>
Excess (deficiency) of revenues over expenditures	<u>(72,932)</u>	<u>(72,932)</u>	<u>(217,922)</u>	<u>(144,990)</u>
Other financing sources (uses):				
Operating transfers in	66,544	66,544	-	(66,544)
Total other financing sources (uses)	<u>66,544</u>	<u>66,544</u>	<u>-</u>	<u>(66,544)</u>
Net changes in fund balances	(6,388)	(6,388)	(217,922)	(211,534)
Fund balance - beginning of year	<u>(15,430)</u>	<u>(15,430)</u>	<u>(15,430)</u>	<u>-</u>
Fund balance - end of year	<u>\$ (21,818)</u>	<u>\$ (21,818)</u>	<u>\$ (233,352)</u>	<u>\$ (211,534)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (217,922)	
Change in:				
Net receivable			229,313	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 11,391</u>	

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**WASTE WATER PLANT FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 3,204,704	\$ 3,204,704	\$ 1,352,480	\$ (1,852,224)
Miscellaneous	-	-	19,016	19,016
Total revenues	<u>3,204,704</u>	<u>3,204,704</u>	<u>1,371,496</u>	<u>(1,833,208)</u>
Expenditures:				
Capital outlay	<u>3,204,704</u>	<u>3,204,704</u>	<u>1,346,257</u>	<u>1,858,447</u>
Total expenditures	<u>3,204,704</u>	<u>3,204,704</u>	<u>1,346,257</u>	<u>1,858,447</u>
Net changes in fund balances	-	-	25,239	25,239
Fund balance - beginning of year	<u>413</u>	<u>413</u>	<u>413</u>	<u>-</u>
Fund balance - end of year	<u>\$ 413</u>	<u>\$ 413</u>	<u>\$ 25,652</u>	<u>\$ 25,239</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 25,239	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 25,239</u>	

See accompanying notes to financial statements and independent auditor' report.

DEBT SERVICE FUNDS

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2010

	Debt Service	Total Nonmajor Debt Service
ASSETS		
Cash and investments	\$ 887	\$ 887
Total assets	<u>\$ 887</u>	<u>\$ 887</u>
LIABILITIES AND FUND BALANCES		
Fund balances:		
Unreserved, undesignated reported in:		
Debt service funds	\$ 887	\$ 887
Total Fund Balance	<u>887</u>	<u>887</u>
Total liabilities and fund balances	<u>\$ 887</u>	<u>\$ 887</u>

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2010

	Debt Service	Total Nonmajor Debt Service
Revenues:		
Investment income	\$ -	\$ -
Miscellaneous	-	-
	<hr/>	<hr/>
Total revenues	<hr/> - <hr/>	<hr/> - <hr/>
Expenditures:		
	<hr/>	<hr/>
Total expenditures	<hr/> - <hr/>	<hr/> - <hr/>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<hr/> - <hr/>	<hr/> - <hr/>
Other financing sources (uses):		
Operating transfer in	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	<hr/> - <hr/>	<hr/> - <hr/>
Net changes in fund balances	-	-
Fund balance - beginning of year	887	887
	<hr/>	<hr/>
Fund balance - end of year	<hr/> \$ 887 <hr/>	<hr/> \$ 887 <hr/>

See accompanying notes to financial statements and independent auditor' report.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	<u>887</u>	<u>887</u>	<u>887</u>	<u>-</u>
Fund balance - end of year	<u>\$ 887</u>	<u>\$ 887</u>	<u>\$ 887</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Change in:				
Net receivable			-	
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements and independent auditor' report.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
TOWN OF HURLEY

PROPRIETARY FUND - WATER / SEWER
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 394,877	\$ 394,877	\$ 436,782	\$ 41,905
Investment income	8,978	8,978	15,832	6,854
Miscellaneous	122	122	18,705	18,583
Total revenues	<u>403,977</u>	<u>403,977</u>	<u>471,319</u>	<u>67,342</u>
Expenditures:				
Current:				
Personnel	115,883	115,883	157,374	(41,491)
Operating	150,702	150,702	66,634	84,068
Total expenditures	<u>266,585</u>	<u>266,585</u>	<u>224,008</u>	<u>42,577</u>
Operating income (loss)	<u>137,392</u>	<u>137,392</u>	<u>247,311</u>	<u>109,919</u>
Nonoperating revenues (expenses)				
Operating transfers out	(57,932)	(57,932)	-	57,932
Total nonoperating revenues (expenses)	<u>(57,932)</u>	<u>(57,932)</u>	<u>-</u>	<u>57,932</u>
Net income (loss)	<u>\$ 79,460</u>	<u>\$ 79,460</u>	<u>\$ 247,311</u>	<u>\$ 167,851</u>
Excess revenues and other sources over expenses GAAP basis			\$ 247,311	
Increases (decreases):				
Depreciation expense			(3,825)	
Net changes in fund balance GAAP basis			<u>\$ 243,486</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

PROPRIETARY FUND - CEMETERY
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 1,763	\$ 1,763	\$ 1,200	\$ (563)
Investment income	577	577	122	(455)
Miscellaneous	-	-	(32)	(32)
Total revenues	<u>2,340</u>	<u>2,340</u>	<u>1,290</u>	<u>(1,050)</u>
Expenditures:				
Current:				
Operating	<u>1,222</u>	<u>1,222</u>	-	<u>1,222</u>
Total expenditures	<u>1,222</u>	<u>1,222</u>	<u>-</u>	<u>1,222</u>
Operating income (loss)	<u>1,118</u>	<u>1,118</u>	<u>1,290</u>	<u>172</u>
Net change in fund balance	1,118	1,118	1,290	172
Fund balance - beginning of year	<u>\$ 30,968</u>	<u>\$ 30,968</u>	<u>\$ 30,968</u>	<u>\$ -</u>
Fund balance - end of year	<u>\$ 32,086</u>	<u>\$ 32,086</u>	<u>\$ 32,258</u>	<u>\$ 172</u>
Excess revenues and other sources over expenses GAAP basis			\$ 1,290	
Increases (decreases):				
Net receivable			-	
Depreciation expense			-	
Net changes in fund balance GAAP basis			<u>\$ 1,290</u>	

See accompanying notes to financial statements and independent auditor' report.

STATE OF NEW MEXICO
TOWN OF HURLEY

PROPRIETARY FUND - SANITATION
STATEMENT OF REVENUES, EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 128,396	\$ 128,396	\$ 105,309	\$ (23,087)
Investment income	419	419	53	(366)
Total revenues	<u>128,815</u>	<u>128,815</u>	<u>105,362</u>	<u>(23,453)</u>
Expenditures:				
Current:				
Operating	105,345	105,345	84,055	21,290
Total expenditures	<u>105,345</u>	<u>105,345</u>	<u>84,055</u>	<u>21,290</u>
Operating income (loss)	<u>23,470</u>	<u>23,470</u>	<u>21,307</u>	<u>(2,163)</u>
Net change in fund balance	23,470	23,470	21,307	(2,163)
Fund balance - beginning of year	<u>\$ 34,005</u>	<u>\$ 34,005</u>	<u>\$ 34,005</u>	<u>\$ -</u>
Fund balance - end of year	<u>\$ 57,475</u>	<u>\$ 57,475</u>	<u>\$ 55,312</u>	<u>\$ (2,163)</u>
Excess revenues and other sources over expenses GAAP basis			\$ 21,307	
Increases (decreases):				
Net payable			-	
Net changes in fund balance GAAP basis			<u>\$ 21,307</u>	

See accompanying notes to financial statements and independent auditor' report.

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2010**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
AM Bank				
General	Checking	\$ 482,815	\$ 58,708	\$ 541,523
Corrections	Checking	17,370	7,257	24,627
Environmental	Checking	6,163	4,816	10,979
EMS	Checking	9,110	(3,477)	5,633
Fire	Checking	46,529	37,984	84,513
Law Enforcement	Checking	28,837	4,780	33,617
Lodgers	Checking	8,672	2,414	11,086
Recreation	Checking	17,334	(17,334)	-
DWI	Checking	3,202	(3,202)	-
CDBG 2007 E Street	Checking	30	(30)	-
Diaz Ave & Construction	Checking	4,421	17,148	21,569
USDA Waste Water Engineering	Checking	15,302	(3,991)	11,311
Grant	Checking	5,110	(5,110)	-
Replacement Reserve	Checking	6,388	(6,388)	-
Debt Service	Checking	887	-	887
Water	Checking	304,620	48,429	353,049
Solid Waste	Checking	95,773	19,775	115,548
Waste Water	Checking	168,224	201,051	369,275
Water Deposit	Checking	30,053	(61)	29,992
Cemetery	Checking	19,766	1,236	21,002
General	CD	131,219	-	131,219
Corrections	CD	22,061	107	22,168
Fire	CD	56,009	272	56,281
Water	CD	110,298	479	110,777
Water	CD	65,385	318	65,703
Water Deposit	CD	28,005	136	28,141
Cemetery	CD	11,202	54	11,256
Total deposits - non- agency		1,694,785	365,371	2,060,156
NM State Treasurer				
Local Gov't Investment Pool	Investment	\$ 3,108	\$ -	\$ 3,108
LGIP - Contingency Account	Investment	-	-	-
Business Type Investment Pool	Investment	1,901	-	1,901
Total investments		5,009	-	5,009
Total deposit and investment accounts- non-agency		\$ 1,699,794	\$ 365,371	\$ 2,065,165

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010**

	AM Bank
Deposits at June 30, 2010	\$ 1,694,785
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	1,444,785
Pledged collateral held by the pledging bank's trust department or agent but not in the Town's name	<u>1,447,945</u>
Uninsured and uncollateralized	<u>\$ (3,160)</u>
50% pledged collateral requirement per statute	\$ 722,393
Total pledged collateral	<u>1,447,945</u>
Pledged collateral over the requirements	<u>\$ (725,552)</u>

Pledged collateral at June 30, 2010 consists of the following:

Security	CUSIP	Maturity	Market Value
Silver Schools NM	82751ES7	8/1/2012	\$ 400,000
FHLB	3128X4HF1	8/15/2012	547,945
Los Alamos NM	544228BL2	8/1/2009	100,000
Mesa Vista Schools	590662BQ4	10/1/2010	100,000
Roswell NM	778550FP3	8/1/2015	200,000
Ruidoso NM	781338GK8	8/1/2018	<u>100,000</u>
Total			<u>\$ 1,447,945</u>

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

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Department of Transportation</i>				
<i>Pass through New Mexico Department of Transportation</i>				
Highway Planning and Construction ARRA	20.205	ECO-6412(1)	\$ 390,000	\$ 390,000
<i>United States Department of Agriculture</i>				
<i>Passed through New Mexico Environmental Department</i>				
Water and Water Disposal Loans and Grants	10.770	None provided	2,200,706	1,129,229
<i>United States Department of Housing and Urban Development</i>				
CDBG	14.228	None provided	<u>458,000</u>	<u>190,763</u>
Total Expenditures of Federal Awards			<u>\$ 3,048,706</u>	<u>\$ 1,709,992</u>

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Hurley and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Hurley (the Town), as of and for the year ended June 30, 2010, and have issued our report thereon dated June 12, 2012. 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

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (Item 09-01). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 05-02.

The Town's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town of Hurley's management, Town Councilors, the Department of Finance and Administration, the New Mexico State Legislature, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
June 12, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
and the Council Members
Hurley, New Mexico

Compliance

We have audited Town of Hurley, New Mexico's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Hurley, New Mexico's major federal programs for the year ended June 30, 2010. Town of Hurley, New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Hurley, New Mexico's management. Our responsibility is to express an opinion on Town of Hurley, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Hurley, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Hurley, New Mexico's compliance with those requirements.

In our opinion, Town of Hurley, New Mexico, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 10-01.

Internal Control over Compliance

Management of Town of Hurley, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Hurley, New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Hurley, New Mexico's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Town of Hurley, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Town of Hurley, New Mexico's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Council members, management, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
June 12, 2012

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? Yes **X** No
- Significant deficiencies identified that are not considered to be material weaknesses? **X** Yes No

Noncompliance material to financial statements noted? Yes **X** No

Federal Awards

Internal control over major programs

- Material weakness (es) identified? Yes **X** No
- Significant deficiencies identified that are not considered to be material weaknesses? **X** Yes No

Type of auditors' report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? **X** Yes No

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

10.770

US Department of Agriculture - Water and Waste Loans and Grants

20.205

US Department of Transportation - Highway Planning and Construction ARRA

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

 Yes **X** No

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

Section II - Financial Statements Findings

PRIOR YEAR FINDINGS:

05-02	Late Audit Report	Repeated
09-01	Legal Compliance with Budget	Repeated

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

FINDINGS - FINANCIAL STATEMENT AUDIT

05-02 Late Audit Report

CONDITION	The audit report was submitted to the State Auditor, in June, 2012, after the required dateline.
CRITERIA	Section 2.2.2.9(A)(1) of the New Mexico State Auditor's 2010 Rule requires submission of the report by December 1, 2010.
CAUSE	The Town had personnel changeovers and computer failure and conversion problems during the year ended June 30, 2006. This caused the audit for the year ended June 30, 2006, to be delayed an extraordinary amount of time, which in turn created a delay in filing the 2007, 2008, 2009, 2010, and 2011 reports.
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.
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, 2012, we will be able to meet the required deadlines.

09-01 Legal Compliance with Budget

CONDITION Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. During the fiscal year ended June 30, 2010, the Town remitted payments for goods and services in excess of the adopted budget within the following funds:

Fund	Budget Expenditures	Actual Expenditures	Excess Expenditures
Replacement	\$ -	\$ 6,388	\$ 6,388
Santa Rita Street	-	5,110	5,110
E Street Phase II	-	30	30

The following funds budgeted a deficit fund balance as of June 30, 2010:

Diaz Avenue Fund	\$ 21,818
Fire Fund	37,759

CRITERIA New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay any claims in excess of the approved budget. Town Officials and governing authorities have the obligation to follow applicable state statutes.

CAUSE The Town does not have controls in place to ensure that it is not expending funds in excess of approved budgeted amounts.

EFFECT Non-compliance with New Mexico state statutes subjects Town officials and personnel to punishment as defined by state statutes.

RECOMMENDATION Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Council and the New Mexico Department of Finance and Administration. If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

RESPONSE We concur with this finding. Beginning in the 2010-2011 budget year the Town Administrator and Department Heads will meet bi-monthly to review each department line item. Budget adjustment resolutions, which result from the information gathered during these meetings will be presented to the council in a timely manner.

10-01 Data Collection Form Package Not Timely Filed - 10.770

CONDITION The Data Collection Form and the reporting package was not submitted to the federal clearing house within nine months after the fiscal year end.

CRITERIA OMB Circular A-133.320 requires that the data collection form and the reporting package be submitted within nine months of the fiscal year end for all single audit reports.

CAUSE The audit was not completed by the required deadline, as detailed in finding 05-02 above.

EFFECT Data used by the federal government Federal regulations have been violated.

RECOMMENDATION We recommend that the Data Collection form be filed timely, if required.

RESPONSE The recommendation will be adopted.

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was conducted on June 12, 2012 with the following individuals in attendance:

Town of Hurley Officials

Edward M. Encinas
Freddie Rodriguez
Martha Salas

Mayor
Councilor
Deputy Clerk

White, Samaniego & Campbell, LLP

Roxie Samaniego

Partner

Financial Statement Preparation

The financial statements were prepared by White + Samaniego + Campbell, LLP from the books and records of the Town of Hurley. However, the contents of these financial statements remain the responsibility of the Town's management.