

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

STATE OF NEW MEXICO
TOWN OF HURLEY
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June 30, 2013

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TOWN OF HURLEY**
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STATE OF NEW MEXICO
TOWN OF HURLEY
Directory of Officials
June 30, 2013

ELECTED OFFICIALS

Edward M. Encinas Mayor
Richard R. Maynes Mayor Pro-Tem
Fernando G. Martinez Councilor
Freddie M. Rodriguez..... Councilor
Rudy M. Peña Councilor

ADMINISTRATION

Martha Salas..... Town Clerk-Treasurer
Lori Ortiz Deputy Clerk

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www.fierrocpa.comIndependent Auditors' ReportHector H. Balderas, State Auditor
and
Mayor and Board of Trustees
Town of Hurley
Hurley, New Mexico**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue fund of Town of Hurley, New Mexico (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the enterprise funds and all the nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on Governmental Activities

The Town has not maintained adequate subsidiary records to support the balance of capital assets in the governmental activities. Accounting principles generally accepted in the United States of America require that all capital assets, including, but not limited to, general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above presented fairly the financial position of the governmental activities of the Town of Hurley as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Business-Type Activities

The Town has not maintained adequate subsidiary records to support the balance of capital assets in the business-type activities. Accounting principles generally accepted in the United States of America require that all capital assets, including, but not limited to, utility system assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Business-Type Activities” paragraph, the financial statements referred to above presented fairly the financial position of the business-type activities of the Town of Hurley as of June 30, 2013, and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Hurley, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, nonmajor enterprise fund as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the general fund, the major special revenue fund, the major joint utility and solid waste enterprise funds, and all nonmajor funds referred to above present fairly, in all material respects, the budgetary comparisons for each fund of the Town for the year ended June 30, 2013, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

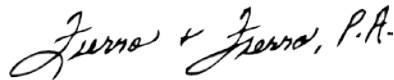
Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America.

In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 25, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 822,601	\$ 1,345,180	\$ 2,167,781
Restricted cash	-	57,815	57,815
Investments	2,809	1,719	4,528
Restricted investments	11,744	74,489	86,233
Receivables, net	27,797	69,115	96,912
Capital assets:			
Land and construction in progress	13,248	86,368	99,616
Other capital assets, net of depreciation	9,241,835	2,812,663	12,054,498
Total capital assets	9,255,083	2,899,031	12,154,114
Total assets	10,120,034	4,447,349	14,567,383
Liabilities			
Accounts payable	8,674	29,160	37,834
Accrued salaries	9,381	7,630	17,011
Accrued payroll taxes	2,144	2,027	4,171
Accrued sales tax	-	2,377	2,377
Accrued interest payable	638	2,911	3,549
Deposits payable	-	126,553	126,553
Long-term liabilities:			
Due within one year	39,275	4,599	43,874
Due in more than one year	135,545	156,954	292,499
Total liabilities	195,657	332,211	527,868
Net Position			
Invested in capital assets, net of related debt	9,288,831	2,748,962	12,037,793
Restricted:			
Debt service	11,744	91,130	102,874
State mandated per statutes	216,875	-	216,875
Unrestricted	406,927	1,275,046	1,681,973
Total net position	\$ 9,924,377	\$ 4,115,138	\$ 14,039,515

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

**STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 80,084	\$ 16,422	\$ 178,323	\$ -	\$ 114,661	\$ -	\$ 114,661
Public safety	392,036	60	92,485	-	(299,491)	-	(299,491)
Public works	180,110	-	-	-	(180,110)	-	(180,110)
Culture and recreation	43,468	2,704	-	-	(40,764)	-	(40,764)
Interest on long-term debt	2,257	-	-	-	(2,257)	-	(2,257)
Total governmental activities	697,955	19,186	270,808	-	(407,961)	-	(407,961)
Business-type activities:							
Water	187,366	203,323	-	75,407	-	91,364	91,364
Wastewater	325,027	275,320	-	67,578	-	17,871	17,871
Solid waste	164,992	124,879	-	-	-	(40,113)	(40,113)
Cemetery	1,144	1,550	-	-	-	406	406
Interest on long-term debt	5,867	-	-	-	-	(5,867)	(5,867)
Total business-type activities	684,396	605,072	-	142,985	-	63,661	63,661
Total primary government	<u>\$ 1,382,351</u>	<u>\$ 624,258</u>	<u>\$ 270,808</u>	<u>\$ 142,985</u>	(407,961)	63,661	(344,300)
General Revenues:							
Gross receipts taxes					205,222	4,877	210,099
Property taxes, levied for general purposes					18,486	-	18,486
Lodgers' taxes					2,233	-	2,233
Franchise taxes					25,625	-	25,625
Public service taxes					9,526	-	9,526
Interest income					1,313	549	1,862
Transfers					(70,374)	70,374	-
Total general revenues and transfers					192,031	75,800	267,831
Changes in net position					(215,930)	139,461	(76,469)
Net position, beginning of year					10,114,507	3,975,677	14,090,184
Restatement					25,800	-	25,800
Net position, beginning of year, restated					10,140,307	3,975,677	14,115,984
Net position, end of year					<u>\$ 9,924,377</u>	<u>\$ 4,115,138</u>	<u>\$ 14,039,515</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF HURLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$ 610,842	\$ 90,943	\$ 120,816	\$ 822,601
Investments	2,809	-	-	2,809
Receivables, net	27,631	-	166	27,797
Restricted:				
Investments	-	-	11,744	11,744
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 641,282</u>	<u>\$ 90,943</u>	<u>\$ 132,726</u>	<u>\$ 864,951</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,592	\$ 157	\$ 2,925	\$ 8,674
Accrued salaries	8,030	-	1,351	9,381
Accrued payroll taxes	2,041	-	103	2,144
Deferred revenues	7,627	-	-	7,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	23,290	157	4,379	27,826
 Fund Balances:				
Restricted for:				
Debt service	-	-	11,744	11,744
State mandated per statutes	-	84,408	92,643	177,051
Committed for:				
One twelfth budget reserve	39,824	-	-	39,824
Subsequent years' expenditures	43,532	6,378	3,351	53,261
Assigned	-	-	20,609	20,609
Unassigned	534,636	-	-	534,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>617,992</u>	<u>90,786</u>	<u>128,347</u>	<u>837,125</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 641,282</u>	<u>\$ 90,943</u>	<u>\$ 132,726</u>	<u>\$ 864,951</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITIONS
JUNE 30, 2013

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

Total fund balance governmental funds (page seven)	\$	837,125
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,255,083
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		7,627
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		(174,820)
Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net assets. Governmental funds recognize the interest as it becomes due.		<u>(638)</u>
Net positions of governmental activities (page five)	\$	<u><u>9,924,377</u></u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Fire Protection Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Gross receipts taxes	\$ 205,222	\$ -	\$ -	\$ 205,222
Property taxes	12,971	-	-	12,971
Franchise taxes	25,625	-	-	25,625
Lodgers' taxes	-	-	2,233	2,233
Public service taxes	9,526	-	-	9,526
Intergovernmental - state	178,323	68,885	23,600	270,808
Charges for services	4,583	-	2,704	7,287
Licenses and permits	2,359	-	-	2,359
Fines and forfeitures	60	-	9,480	9,540
Interest	1,205	33	75	1,313
Miscellaneous	3,569	-	-	3,569
Total revenues	443,443	68,918	38,092	550,453
Expenditures:				
Current:				
General government	68,670	-	-	68,670
Public safety	278,011	37,754	20,877	336,642
Public works	24,523	-	-	24,523
Culture and recreation	4,486	-	18,389	22,875
Capital outlay	-	290,766	13,317	304,083
Debt service:				
Principal	-	-	9,552	9,552
Interest and other charges	-	1,026	712	1,738
Total expenditures	375,690	329,546	62,847	768,083
Excess (deficiency) of revenues over expenditures	67,753	(260,628)	(24,755)	(217,630)
Other Financing Sources (Uses):				
Loan proceeds	-	136,724	-	136,724
Transfer in	45,635	-	15,434	61,069
Transfer (out)	(114,437)	(71)	(16,935)	(131,443)
Total other financing sources (uses)	(68,802)	136,653	(1,501)	66,350
Net change in fund balances	(1,049)	(123,975)	(26,256)	(151,280)
Fund balances, beginning of year	619,041	214,761	154,603	988,405
Fund balances, end of year	\$ 617,992	\$ 90,786	\$ 128,347	\$ 837,125

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

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
FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds (page nine)	\$	(151,280)
Governmental funds report capital outlay as expenditures in the amount of \$304,083; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$251,320. The net adjustment is \$52,763.		52,763
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2012, deferred property taxes amounted to \$2,112. The deferred property taxes for the current fiscal year amounted to \$7,627; therefore, the net adjustment is \$5,515.		5,515
Accrued interest expense not due within thirty days after year-end is not considered in the current period, and is not reported in the governmental funds. The increase of accrued interest liability from the previous year increases the interest expense within the statement of activities.		(519)
The issuance of long-term debt provides current resources to the governmental funds; however, it is not recorded as income within statement of activities.		(136,724)
The repayment of principal of long-term debt consumes current financial resources of the governmental funds; however, it is not recorded as an expense within the statement of activities.		9,552
Decrease in the compensated absences liability is reflected as an expense adjustment within the statement of activities; however, the expense does not use a current financial resource and is not recorded in the governmental funds statement.		4,763
Change in net position of governmental activities (page six)	\$	<u>(215,930)</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Gross receipts taxes	\$ 261,935	\$ 261,935	\$ 212,029	\$ (6,807)	\$ 205,222	\$ (49,906)
Property taxes	12,398	12,543	12,420	551	12,971	(123)
Franchise taxes	23,000	25,412	25,412	213	25,625	-
Public service taxes	11,580	11,580	9,485	41	9,526	(2,095)
Intergovernmental - state	204,800	204,800	174,585	3,738	178,323	(30,215)
Charges for services	6,300	7,776	4,583	-	4,583	(3,193)
Licenses and permits	1,400	2,359	2,359	-	2,359	-
Fines and forfeitures	350	350	60	-	60	(290)
Interest	1,900	1,900	1,175	30	1,205	(725)
Miscellaneous	50	1,165	3,569	-	3,569	2,404
Total revenues	523,713	529,820	445,677	(2,234)	443,443	(84,143)
Expenditures:						
Current:						
General government	76,906	76,906	70,710	(2,040)	68,670	6,196
Public safety	320,040	320,040	282,109	(4,098)	278,011	37,931
Public works	39,500	39,500	26,239	(1,716)	24,523	13,261
Culture and recreation	8,200	8,200	4,571	(85)	4,486	3,629
Capital outlay	13,000	13,000	-	-	-	13,000
Total expenditures	457,646	457,646	383,629	(7,939)	375,690	74,017
Excess (Deficiency) of revenues over expenditures	66,067	72,174	62,048	5,705	67,753	(10,126)
Other Financing Sources (Uses):						
Transfers in	-	-	45,635	-	45,635	45,635
Transfers (out)	(110,000)	(110,000)	(114,437)	-	(114,437)	(4,437)
Total other financing sources (uses)	(110,000)	(110,000)	(68,802)	-	(68,802)	41,198
Net change	(43,933)	(37,826)	(6,754)	\$ 5,705	\$ (1,049)	31,072
Cash balance, beginning of year	617,596	617,596	617,596			-
Cash balance, end of year	\$ 573,663	\$ 579,770	\$ 610,842			\$ 31,072

Explanation of Differences:

Change in investments	\$ 4
Change in receivables	(2,238)
Change in accounts payable	1,764
Change in accrued salaries	2,559
Change in accrued liabilities	3,616
	<u>\$ 5,705</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original Budget	Final Budget				
Revenues:						
Intergovernmental	\$ 73,985	\$ 73,985	\$ 68,885	\$ -	\$ 68,885	\$ (5,100)
Expenditures:						
Current:						
Public safety	54,700	54,700	39,655	(1,901)	37,754	15,045
Capital outlay	162,798	292,363	290,766	-	290,766	1,597
Total expenditures	<u>217,498</u>	<u>347,063</u>	<u>330,421</u>	<u>(1,901)</u>	<u>328,520</u>	<u>16,642</u>
Excess (Deficiency) of revenues over expenditures	(143,513)	(273,078)	(261,536)	1,901	(259,635)	11,542
Other Financing Sources (Uses):						
Loan proceeds	-	135,731	135,731	-	135,731	-
Transfers (out)	-	-	(71)	-	(71)	(71)
Total other financing sources (uses)	<u>-</u>	<u>135,731</u>	<u>135,660</u>	<u>-</u>	<u>135,660</u>	<u>(71)</u>
Net change	<u>(143,513)</u>	<u>(137,347)</u>	<u>(125,876)</u>	<u>\$ 1,901</u>	<u>\$ (123,975)</u>	<u>11,471</u>
Cash balance, beginning of year	<u>216,819</u>	<u>216,819</u>	<u>216,819</u>			<u>-</u>
Cash balance, end of year	<u>\$ 73,306</u>	<u>\$ 79,472</u>	<u>\$ 90,943</u>			<u>\$ 11,471</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ 1,901</u>		

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
Assets:				
Current assets:				
Cash	\$ 1,202,483	\$ 108,044	\$ 34,653	\$ 1,345,180
Restricted cash	57,815	-	-	57,815
Investments	1,719	-	-	1,719
Restricted investments	74,489	-	-	74,489
Receivables, net	57,339	11,776	-	69,115
Total current assets	1,393,845	119,820	34,653	1,548,318
Noncurrent assets:				
Capital assets:				
Land	18,790	-	-	18,790
Construction in progress	67,578	-	-	67,578
Buildings	6,164	-	-	6,164
Distribution and collection systems	4,571,812	-	-	4,571,812
Vehicles, equipment and other assets	188,986	-	-	188,986
Less accumulated depreciation	(1,954,299)	-	-	(1,954,299)
Total capital assets, net	2,899,031	-	-	2,899,031
Total assets	4,292,876	119,820	34,653	4,447,349
Liabilities:				
Current liabilities:				
Accounts payable	24,889	4,271	-	29,160
Accrued salaries	5,530	2,100	-	7,630
Accrued payroll taxes	1,526	501	-	2,027
Accrued sales tax	2,377	-	-	2,377
Accrued interest payable	2,911	-	-	2,911
Deposits payable	126,553	-	-	126,553
Current maturities of:				
Bonds payable	1,600	-	-	1,600
Notes payable	703	-	-	703
Compensated absences	1,940	356	-	2,296
Total current liabilities	168,029	7,228	-	175,257
Noncurrent liabilities:				
Bonds payable	135,990	-	-	135,990
Notes payable	11,776	-	-	11,776
Compensated absences	7,766	1,422	-	9,188
Total noncurrent liabilities	155,532	1,422	-	156,954
Total liabilities	323,561	8,650	-	332,211
Net Position:				
Invested in capital assets	2,748,962	-	-	2,748,962
Restricted:				
Debt service	91,130	-	-	91,130
Unrestricted	1,129,223	111,170	34,653	1,275,046
Total net position	\$ 3,969,315	\$ 111,170	\$ 34,653	\$ 4,115,138

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

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
Operating Revenues:				
Charges for services	\$ 478,643	\$ 124,879	\$ 1,550	\$ 605,072
Operating Expenses:				
Personnel services	174,178	64,804	-	238,982
Utilities	27,327	-	-	27,327
Contractual services	179,642	100,188	-	279,830
Repairs and maintenance	8,908	-	-	8,908
General operating expenses	44,708	-	1,144	45,852
Depreciation	77,617	-	-	77,617
Total operating expenses	<u>512,380</u>	<u>164,992</u>	<u>1,144</u>	<u>678,516</u>
Operating income (loss)	(33,737)	(40,113)	406	(73,444)
Non-Operating Revenues (Expenses):				
Gross receipts taxes	-	4,877	-	4,877
Interest income	513	-	36	549
Interest and other finance charges	(5,880)	-	-	(5,880)
Total non-operating revenues (expenses)	<u>(5,367)</u>	<u>4,877</u>	<u>36</u>	<u>(454)</u>
Income (loss) before capital contributions and transfers	(39,104)	(35,236)	442	(73,898)
Capital contributions	142,985	-	-	142,985
Transfers in	113,051	3,702	301	117,054
Transfers (out)	(46,680)	-	-	(46,680)
Changes in net position	170,252	(31,534)	743	139,461
Net position, beginning of year	<u>3,799,063</u>	<u>142,704</u>	<u>33,910</u>	<u>3,975,677</u>
Net position, end of year	<u>\$ 3,969,315</u>	<u>\$ 111,170</u>	<u>\$ 34,653</u>	<u>\$ 4,115,138</u>

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

**STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 477,093	\$ 124,469	\$ 1,550	\$ 603,112
Cash payments to suppliers for goods and services	(265,044)	(62,228)	(1,144)	(328,416)
Cash payments to employees for services	(168,302)	(100,845)	-	(269,147)
Net cash provided (used) by operating activities	43,747	(38,604)	406	5,549
Cash Flows From Non-Capital and Related Financing Activities:				
Cash received from intergovernmental grants	85,851	-	-	85,851
Cash received from gross receipts taxes	-	4,949	-	4,949
Cash received from customer deposits	6,201	-	-	6,201
Transfer in	113,051	3,702	301	117,054
Transfer (out)	(46,680)	-	-	(46,680)
Net cash provided by non-capital and related financing activities	158,423	8,651	301	167,375
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets	(84,425)	-	-	(84,425)
Principal payment on capital debt	(1,859)	-	-	(1,859)
Interest paid	(5,926)	-	-	(5,926)
Net cash (used) by non-capital and related financing activities	(92,210)	-	-	(92,210)
Cash Flows From Investing Activities:				
Interest income	524	-	37	561
Net increase (decrease) in cash	110,484	(29,953)	744	81,275
Cash and cash equivalents, beginning of year	1,149,814	137,997	33,909	1,321,720
Cash and cash equivalents, end of year	<u>\$ 1,260,298</u>	<u>\$ 108,044</u>	<u>\$ 34,653</u>	<u>\$ 1,402,995</u>
Displayed as:				
Cash	\$ 1,202,483	\$ 108,044	\$ 34,653	\$ 1,345,180
Restricted cash	57,815	-	-	57,815
	<u>\$ 1,260,298</u>	<u>\$ 108,044</u>	<u>\$ 34,653</u>	<u>\$ 1,402,995</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (33,737)	\$ (40,113)	\$ 406	\$ (73,444)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:				
Depreciation	77,617	-	-	77,617
Changes in Assets and Liabilities:				
(Increase) in accounts receivable	(1,624)	(410)	-	(2,034)
Decrease in accounts payable	(4,459)	(657)	-	(5,116)
Increase in accrued salaries	1,347	1,127	-	2,474
Increase in accrued liabilities	1,600	501	-	2,101
Increase in compensated absences	3,003	948	-	3,951
Total adjustments	77,484	1,509	-	78,993
Net cash provided (used) by operating activities	<u>\$ 43,747</u>	<u>\$ (38,604)</u>	<u>\$ 406</u>	<u>\$ 5,549</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hurley (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and proprietary funds, the Town has not chosen to do so.

A. Reporting Entity

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the Town.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The Town does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements. At the present time, the Town does not have any fiduciary funds.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. 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 sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,
C. and Financial Statement Presentation (continued)

In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water, sewer, and solid waste are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major governmental funds:

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. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the Town, except for items included in other funds.

The *fire protection fund* accounts for the proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires that these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Town's fire department.

The Town maintains seven other governmental funds that are considered nonmajor funds and classified or special revenue funds. A description of each nonmajor governmental fund is as follows:

The *recreation fund* accounts for receipts that are restricted for use in recreational areas only. Funding source is fees charged for recreational activities, such as swimming pool fees. The fund was established by local ordinance.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *lodgers' tax fund* accounts for funds received from a special local lodgers' tax that is to be used for promotion of the Town. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978. Section 3-38-15(E) NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting tourist-related attractions, facilities and events.

The *law enforcement fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, section 29-13.1 through 29-13.9, NMSA 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

The *corrections fund* accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

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

The *Diaz Avenue capital project fund* was established by local ordinance to account for the re-construction of Diaz Avenue within the Town's boundaries. The funds for the project include federal, state, and local match grants.

The *E. Street (Phase II) capital project fund* was established by local ordinance to account for the re-construction of various streets within the Town's boundaries. The funds for the project include federal, state, and local match grants.

The Town reports the following major business-type funds:

The *joint utility fund* is used to account for the provision of water, sewer, and waste water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *solid waste fund* accounts for the provision of solid waste disposal to the Town residents. All activities necessary to provide such services are accounted for in this fund, but not limited to: administration, operations, maintenance, billing and collections.

The Town maintains one other individual business-type fund that is considered a nonmajor fund. A description of the nonmajor fund is as follows:

The *cemetery fund* accounts for funds received from sale of lots and donations for the purpose of maintaining a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978.

D. Budgets

Budgets for all funds are prepared by management and approved by the Board of Trustees and the New Mexico Department of Finance and Administration. The Treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Board of Trustees for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

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

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the Town's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

2. Interfund Receivables and Payables

Activities between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as deposits held in trust for others.

5. Interfund Activity

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

6. Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

6. Capital Assets (continued)

Contributed capital assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The Town defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Net revenue bond interest cost incurred during construction is capitalized when material.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Utility system	10-100
Infrastructure	20-75
Buildings and other improvements	15-100
Machinery and equipment, including computer software	3-10

7. Compensated Absences

Annual vacations are provided each year on the basis of service from the last date of hire. Vacation leave may be accrued at the rate of one and one-half (1½) days per month of service at 40 hours per week. Regular part-time employees are eligible for vacation leave accrual on a pro-rated basis. Temporary employees are not eligible for any vacation benefits. Employees do not accrue vacation benefits during a leave without pay.

Employees completing their orientation period may accrue vacation leave retroactive to their first days of employment. Orientation employees are not eligible for vacation time and do not earn vacation time without successful completion of their orientation period. In certain circumstances, a newly hired full-time or part-time permanent employee may not be required to observe a probationary period for the purposes of being able to use earned vacation leave and sick leave benefits, if their prior work experience and certifications reflect sufficient skills, knowledge, and training in the position for which they are being hired. The determination to waive the probationary period for vacation and sick leave is made by the mayor and town council at the time of hire.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Compensated Absences (continued)

All employees may take accrued vacation within their anniversary year. Employees may carry over to the next calendar year a total balance of 144 vacation hours. Vacation leave balances in excess of 144 vacation hours as of December 31st of each year, may be forfeited without pay. In the instance of approved accrued vacation balances carried over to the following year, all balances (of the past and current year) in excess of 144 hours of vacation hours as of December 31st of that year, may be forfeited without pay.

All full-time regular employees accrue sick leave benefits at the rate of one workday for each calendar month of continuous employment. Regular part-time employees may accrue sick leave on a pro-rata basis, according to hours worked. Temporary employees do not earn sick leave benefits. Employees do not accrue sick leave benefits during a leave without pay. Employees accrue and may use sick leave during the orientation period; however, employees are not entitled to paid sick leave until they have been continuously employed for ninety (90) days.

There is no limit on the number of sick leave hours that may be accumulated and carried forward from one anniversary year to the subsequent year. Employees will not be paid for accumulated sick leave upon separation from the Town.

8. Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the Town. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as a receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as property taxes that are not available are recorded as deferred revenues and reflected as a liability within the balance sheet.

9. Short-Term Obligations

No short-term debt occurred during the current fiscal year.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

10. Long-Term Obligations (continued)

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Net Position

The government-wide financial statements utilize a net position presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the Town, not restricted for any project or other purpose.

12. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

12. Fund Equity (continued)

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The board of trustees and town manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

F. Other Matters

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. Cash Flows

For the purpose of the statement of cash flows, the Town considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters (continued)

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The Town maintains cash in one financial institution within Hurley, New Mexico. The Town's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

As of June 30, 2013, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

	Financial Institution Balance	Reconciling Items	Reconciled Balance
Cash on hand	\$ -	\$ 2,500	\$ 2,500
AmBank	<u>2,262,537</u>	<u>(39,441)</u>	<u>2,223,096</u>
Total cash deposits	<u>\$ 2,262,537</u>	<u>\$ (36,941)</u>	<u>\$ 2,225,596</u>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Assets:	
Cash	\$ 2,167,781
Restricted cash	<u>57,815</u>
Total cash reported on financial statements	<u>\$ 2,225,596</u>

The amounts held as restricted cash are held for the following purposes:

Purpose	Amount
Customer meter deposits	\$ 41,174
Bond ordinance reserves	<u>16,641</u>
Total	<u>\$ 57,815</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Town. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Town carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

	AmBank
Total deposit in bank	\$ 2,262,538
Less FDIC insurance	(500,000)
Uninsured public funds	1,762,538
Pledged collateral held by pledging bank's agent, but not in the Town's name	2,242,336
Uninsured and uncollateralized public funds	\$ -
Total pledged collateral	\$ 2,360,687
50% pledged collateral requirement per state statute	(881,269)
Over (under) collateralization	\$ 1,479,418

A detailed listing of the pledged collateral is contained in the supplemental financial information section this report.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$1,762,538 of the Town's bank balance of \$2,262,538 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by agent, not in Town's name	\$ 1,762,538

3. INVESTMENTS

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Assets:	
Investments	\$ 4,528
Restricted investments	86,233
	\$ 90,761

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. INVESTMENTS (continued)

The amounts considered restricted investments are debt proceeds amounts set aside to meet debt reserve requirements, and program receipts. The program receipts are funds available for utilization by the Town, and are restricted for purposes described within each loan agreement. All amounts borrowed are for the purchase or construction of capital assets. As of June 30, 2013, the restricted investments are composed of the following:

Program funds	\$ 74,489
Debt service	11,744
	\$ 86,233

Cash Deposited With the New Mexico State Treasurer

As of June 30, 2013, the combined balance of the Town's investment within the State Treasurer's Office *New MexiGROW* Local Government Investment Pool fund was \$4,528. The cost basis of the deposit was equal to \$5,036 (amount of investment); however, based on the information available from the State of New Mexico Treasurer's Office, the investment has recognized a pro-rata loss of \$508. As a result, the Town's investment is reflected at its fair market value of \$4,528. The investments are valued at fair value based on quoted market prices as of the valuation date. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standard and Poor's.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's final weighted average maturity is 59-day WAM at June 30, 2013.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. INVESTMENTS (continued)

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the Town has cash held and invested with NMFA. For the fiscal year ended June 30, 2013, the NMFA has invested the funds held in the debt service, and program funds pools. None of the cash invested can be specifically identified, as the Town's investment as cash from local governments within the state of New Mexico are invested within the pooled accounts.

NMFA – Debt Service Pool

The Town has \$11,744 invested with the NMFA debt service pool. At June 30, 2013, the pool was composed of money market funds.

NMFA – Program Funds

The Town has \$74,489 invested within the NMFA program funds pool. At June 30, 2013, the pool was composed of 44.49% money market funds and 55.51% fixed income U.S. Treasuries.

Interest Rate Risk

Interest rate is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates, and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investment's to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt service pool fund weighted average maturity is 42.41-day WAM. The NMFA debt reserve pool fund weighted average maturity is 1.335 WAM. The NMFA program funds pool fund weighted average maturity is .089 WAM.

The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2013 consisted of the following:

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. RECEIVABLES, NET (continued)

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ -	\$ 76,126
Allowance for doubtful accounts	-	(15,136)
Total	-	60,990
Taxes receivable:		
Gross receipts taxes	6,813	247
Franchise taxes	5,720	-
Property taxes	8,561	-
Lodgers' taxes	166	-
Public service taxes	1,049	-
Allowance for doubtful accounts	(16)	-
Total	22,293	247
Intergovernmental receivables:		
Public safety	3,560	-
General government	1,911	-
Wastewater improvements	-	7,878
Total	5,471	7,878
Interest receivables	33	-
Receivables, net	\$ 27,797	\$ 69,115

The Town's policy is to provide for uncollectible accounts based upon expected defaults.

5. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Grant County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Grant County Treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. PROPERTY TAX (continued)

In addition, the Town is allowed to levy taxes for payments of bonds 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 2012, was \$2.463 per \$1,000 for non-residential and \$1.962 for residential property. In the year 2012, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

During the fiscal year, the Town discovered errors in the amounts reported at June 30, 2012 within the governmental and business-type activities capital assets. The effect of the change is as follows:

	Balance 06/30/12	Corrections	Restated Balance 06/30/12
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 13,248	\$ -	\$ 13,248
Construction in progress	2,739,854	-	2,739,854
	<u>2,753,102</u>	<u>-</u>	<u>2,753,102</u>
Total capital assets, not being depreciated	2,753,102	-	2,753,102
Other capital assets:			
Buildings and improvements	1,408,302	30,000	1,438,302
Infrastructure	6,295,387	383,264	6,678,651
Furniture, equipment and vehicles	1,461,468	(383,264)	1,078,204
	<u>9,165,157</u>	<u>30,000</u>	<u>9,195,157</u>
Total other capital assets	9,165,157	30,000	9,195,157
Less accumulated depreciation for:			
Buildings, improvements, and other	(671,428)	(4,200)	(675,628)
Infrastructure	(1,166,702)	(109,989)	(1,276,691)
Furniture, equipment and vehicles	(903,609)	109,989	(793,620)
	<u>(2,741,739)</u>	<u>(4,200)</u>	<u>(2,745,939)</u>
Total accumulated depreciation	(2,741,739)	(4,200)	(2,745,939)
Other capital assets, net	<u>6,423,418</u>	<u>25,800</u>	<u>6,449,218</u>
Governmental activities capital assets, net	<u>\$ 9,176,520</u>	<u>\$ 25,800</u>	<u>\$ 9,202,320</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2013, are as follows:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,248	\$ -	\$ -	\$ 13,248
Construction in progress	2,739,854	13,317	(2,753,171)	-
Total capital assets, not being depreciated	2,753,102	13,317	(2,753,171)	13,248
Other capital assets:				
Buildings and improvements	1,438,302	-	-	1,438,302
Infrastructure	6,678,651	2,753,171	-	9,431,822
Furniture, equipment and vehicles	1,078,204	290,766	-	1,368,970
Total other capital assets	9,195,157	3,043,937	-	12,239,094
Less accumulated depreciation for:				
Buildings, improvements and other	(675,628)	(17,898)	-	(693,526)
Infrastructure	(1,276,691)	(154,787)	-	(1,431,478)
Furniture, equipment and vehicles	(793,620)	(78,635)	-	(872,255)
Total accumulated depreciation	(2,745,939)	(251,320)	-	(2,997,259)
Other capital assets, net	6,449,218	2,792,617	-	9,241,835
Governmental activities capital assets, net	<u>\$ 9,202,320</u>	<u>\$ 2,805,934</u>	<u>\$ (2,753,171)</u>	<u>\$ 9,255,083</u>

Depreciation expense was charged to functions (programs) as follows:

General government	\$ 20,608
Public safety	54,532
Public works	155,587
Culture and recreation	20,593
	<u>\$ 251,320</u>

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL ASSETS (continued)

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Construction in progress	2,072,009	77,478	(2,081,909)	67,578
Total capital assets, not being depreciated	2,090,799	77,478	(2,081,909)	86,368
Other capital assets:				
Buildings and improvements	6,164	-	-	6,164
Water and sewer utility system	2,489,903	2,081,909	-	4,571,812
Furniture, equipment and vehicles	188,986	-	-	188,986
Total other capital assets	2,685,053	2,081,909	-	4,766,962
Less accumulated depreciation for:				
Buildings and improvements	(4,006)	(123)	-	(4,129)
Water and sewer utility system	(1,782,604)	(59,946)	-	(1,842,550)
Furniture, equipment and vehicles	(90,072)	(17,548)	-	(107,620)
Total accumulated depreciation	(1,876,682)	(77,617)	-	(1,954,299)
Other capital assets, net	808,371	2,004,292	-	2,812,663
Business-type activities capital asset, net	\$ 2,899,170	\$ 2,081,770	\$ (2,081,909)	\$ 2,899,031

7. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2013, are as follows:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Note payable	\$ 39,080	\$ 136,724	\$ (9,552)	\$ 166,252	\$ 35,848
Compensated absences	13,331	9,634	(14,397)	8,568	3,427
	\$ 52,411	\$ 146,358	\$ (23,949)	\$ 174,820	\$ 39,275

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. LONG-TERM OBLIGATIONS (continued)

NMFA Loan No. 2477

On August 10, 2010, the Town borrowed \$48,547 from the New Mexico Finance Authority for the purchase of a police vehicle and computer software for use by the Town's police department. The loan is to be repaid from the annual distribution of law enforcement funds received from the state of New Mexico. The note matures May 1, 2016. The annual payment is \$10,264, and does accrue interest at a blended interest rate of 1.838%. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2014	\$ 9,674	\$ 590	\$ 10,264
2015	9,830	434	10,264
2016	10,024	240	10,264
	<u>\$ 29,528</u>	<u>\$ 1,264</u>	<u>\$ 30,792</u>

NMFA Loan No. PP-2852

On January 11, 2013, the Town borrowed \$136,724 from the New Mexico Finance Authority for the purchase of a fire pumper truck for use by the Town's volunteer fire department. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2018. The annual payment is approximately \$28,178, and does accrue interest at a blended interest rate of .9171%. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2014	\$ 26,174	\$ 2,699	\$ 28,873
2015	27,036	1,837	28,873
2016	27,398	1,475	28,873
2017	27,820	1,053	28,873
2018	28,296	577	28,873
	<u>\$ 136,724</u>	<u>\$ 7,641</u>	<u>\$ 144,365</u>

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2013, are as follows:

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities (continued)

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Business-Type Activities:					
Bonds payable	\$ 139,120	\$ -	\$ (1,530)	\$ 137,590	\$ 1,600
Notes payable	5,360	7,448	(329)	12,479	703
Compensated absences	7,533	12,262	(8,311)	11,484	2,296
	<u>\$ 152,013</u>	<u>\$ 19,710</u>	<u>\$ (10,170)</u>	<u>\$ 161,553</u>	<u>\$ 4,599</u>

Wastewater System Improvement Revenue Bonds, Series 2009

On December 18, 2009, the Town authorized the issuance of the Town of Hurley, New Mexico, Wastewater System Improvement Revenue Bonds in the principal amount of \$142,000 at par and at an interest rate of 4.25% per annum for the purpose of financing improvements to the Town's wastewater system. The bonds are payable and collectible solely from net revenues derived from the operation of the Town's wastewater system. The bonds mature in December 18, 2049. The following is a schedule of the annual payments required for the bonds:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2014	\$ 1,600	\$ 5,822	\$ 7,422
2015	1,660	5,737	7,397
2016	1,730	5,652	7,382
2017	1,810	5,567	7,377
2018	1,890	5,482	7,372
2019-2023	10,710	26,105	36,815
2024-2028	13,170	23,556	36,726
2029-2033	16,230	20,211	36,441
2034-2038	19,990	16,185	36,175
2039-2043	24,600	12,111	36,711
2044-2048	30,300	7,243	37,543
2049-2050	13,900	829	14,729
	<u>\$ 137,590</u>	<u>\$ 134,500</u>	<u>\$ 272,090</u>

NMFA Loan PER-Water Utility System, Project No. 117-WTB

On December 5, 2008, the Town borrowed \$6,500 from the New Mexico Finance Authority for the purpose of financing the cost of planning, designing and engineering of a water utility system. The loan is to be repaid with annual payments to be made by the Town. The annual payment is approximately \$335, does not accrue interest, but has an .025% administrative charge. The note matures on June 1, 2038. The following is a schedule of the annual payments required for the note:

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. LONG-TERM OBLIGATIONS (continued)

NMFA Loan PER-Water Utility System, Project No. 117-WTB (continued)

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2014	\$ 330	\$ -	\$ 330
2015	330	-	330
2016	331	-	331
2017	332	-	332
2018	333	-	333
2019-2023	1,677	-	1,677
2024-2028	1,698	-	1,698
	<u>\$ 5,031</u>	<u>\$ -</u>	<u>\$ 5,031</u>

NMFA Loan No. CI-2789

On May 17, 2013, the Town borrowed \$7,448 from the New Mexico Finance Authority for planning for a wastewater project whereby the Town will be replacing clay piping and manholes. The loan is to be repaid from net system revenues as defined in the Town resolution no. 20-2012-2013 adopted April 9, 2013. The note matures June 1, 2033. The annual payment is \$373, and does not accrue interest. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2014	\$ 373	\$ -	\$ 373
2015	373	-	373
2016	373	-	373
2017	373	-	373
2018	373	-	373
2019-2023	1,862	-	1,862
2024-2028	1,860	-	1,860
2029-2033	1,861	-	1,861
	<u>\$ 7,448</u>	<u>\$ -</u>	<u>\$ 7,448</u>

8. INTERFUND TRANSFERS

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis. They also represent short-term advances for deficit cash balances within pooled cash accounts:

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. INTERFUND TRANSFERS (continued)

	Transfers In							Total
	General Fund	Recreation Fund	Corrections Funds	EMS Fund	Joint Utility Fund	Solid Waste Fund	Cemetery Fund	
Transfers (out):								
General Fund	\$ -	\$ 15,000	\$ 299	\$ 135	\$ 95,000	\$ 3,702	\$ 301	\$ 114,437
Joint Utility Fund	28,629	-	-	-	-	-	-	28,629
E Street Capital Projects fund	15,230	-	-	-	-	-	-	15,230
Recreation	1,682	-	-	-	-	-	-	1,682
Fire Protection	71	-	-	-	-	-	-	71
Law Enforcement	23	-	-	-	-	-	-	23
	<u>\$ 45,635</u>	<u>\$ 15,000</u>	<u>\$ 299</u>	<u>\$ 135</u>	<u>\$ 95,000</u>	<u>\$ 3,702</u>	<u>\$ 301</u>	<u>\$ 160,072</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. RESTATEMENT OF NET POSITION

After the fiscal year ended June 30, 2013, the Town determined that changes to the beginning of year net positions and fund balances were necessary. A description and the effect of the changes are as follows:

	<u>Governmental-Wide Governmental Activities</u>
Government-Wide Financial Statements:	
The Town obtained an appraisal for property donated in a previous fiscal year. The Town has recorded the value and the related accumulated depreciation.	\$ 30,000 (4,200)
The Town discovered that special assessments for streets were incorrectly classified as equipment.	383,264 (383,264)
The Town has reclassified the cost of the special assessments as infrastructure and the related accumulated depreciation.	109,989 (109,989)
Total Governmental-Wide Financial Statements	<u>\$ 25,800</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2013, the Town incurred expenditures over appropriations of the following amounts and funds:

<u>Fund</u>	<u>Amount</u>
Joint Utility Fund	<u>\$ 32,216</u>

The Town will establish a procedure to ensure appropriate controls over the purchasing process, including timely budget adjustments where required.

11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

12. RETIREMENT PLAN

The Town sponsors an AIM Simple Individual Retirement Annuity (IRA) Plan for eligible employees. There are two employees who are participating. 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, 2013 was \$1,628.

13. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The Town has not elected to participate in the post-employment health insurance plan.

14. 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; injuries to employees; and natural disasters.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. RISK MANAGEMENT (continued)

The Town has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

15. CONSTRUCTION COMMITMENTS

Business-Type Activities – As of June 30, 2013, the Town had a construction contract in progress with total costs of \$67,578. The project is funded through the Office of Natural Resource Trustee. The remaining construction commitments are \$1,282,422.

16. CONTINGENT LIABILITIES

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

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
TOWN OF HURLEY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds					Capital Projects	Other E Street (Phase II) Fund	Total Other Governmental Funds
	Recreation Fund	Lodgers' Tax Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	Total Special Revenue Funds		
Assets								
Cash	\$ 2,841	\$ 17,025	\$ 10,353	\$ 66,375	\$ 3,613	\$ 100,207	\$ -	\$ 120,816
Receivables, net	-	166	-	-	-	166	-	166
Restricted:								
Investments	-	-	11,744	-	-	11,744	-	11,744
Total assets	<u>\$ 2,841</u>	<u>\$ 17,191</u>	<u>\$ 22,097</u>	<u>\$ 66,375</u>	<u>\$ 3,613</u>	<u>\$ 112,117</u>	<u>\$ -</u>	<u>\$ 132,726</u>
Liabilities and Fund Balances								
Accounts payable	\$ 736	\$ -	\$ 1,323	\$ 153	\$ 713	2,925	\$ -	\$ 2,925
Accrued salaries	1,351	-	-	-	-	1,351	-	1,351
Accrued payroll taxes	103	-	-	-	-	103	-	103
Total liabilities	2,190	-	1,323	153	713	4,379	-	4,379
Fund Balance:								
Restricted for:								
Debt service	-	-	11,744	-	-	11,744	-	11,744
State mandated per statutes	-	17,191	9,030	66,222	200	92,643	-	92,643
Committed for:								
Subsequent years' expenditures	651	-	-	-	2,700	3,351	-	3,351
Assigned	-	-	-	-	-	-	20,609	20,609
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>651</u>	<u>17,191</u>	<u>20,774</u>	<u>66,222</u>	<u>2,900</u>	<u>107,738</u>	<u>-</u>	<u>128,347</u>
Total liabilities and fund balances	<u>\$ 2,841</u>	<u>\$ 17,191</u>	<u>\$ 22,097</u>	<u>\$ 66,375</u>	<u>\$ 3,613</u>	<u>\$ 112,117</u>	<u>\$ -</u>	<u>\$ 132,726</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds					Capital Projects	Other E Street (Phase II) Fund	Total Other Governmental Funds
	Recreation Fund	Lodgers' Tax Fund	Law Enforcement Fund	Corrections Fund	Emergency Medical Services Fund	Total Special Revenue Funds		
Revenues:								
Lodgers' taxes	\$ -	\$ 2,233	\$ -	\$ -	\$ -	\$ 2,233	\$ -	\$ 2,233
Intergovernmental - state	-	-	23,600	-	-	23,600	-	23,600
Charges for services	2,704	-	-	-	-	2,704	-	2,704
Fines and forfeitures	-	-	-	9,480	-	9,480	-	9,480
Interest	-	-	4	71	-	75	-	75
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	2,704	2,233	23,604	9,551	-	38,092	-	38,092
Expenditures:								
Current:								
Public safety	-	-	19,109	920	848	20,877	-	20,877
Culture and recreation	18,389	-	-	-	-	18,389	-	18,389
Capital outlay	-	-	-	-	-	-	13,317	13,317
Debt service:								
Principal	-	-	9,552	-	-	9,552	-	9,552
Interest and other charges	-	-	712	-	-	712	-	712
Total expenditures	18,389	-	29,373	920	848	49,530	13,317	62,847
Excess (deficiency) of revenues over expenditures	(15,685)	2,233	(5,769)	8,631	(848)	(11,438)	-	(24,755)
Other Financing Sources (Uses):								
Transfers in	15,000	-	-	299	135	15,434	-	15,434
Transfer (out)	(1,682)	-	(23)	-	-	(1,705)	(15,230)	(16,935)
Net change in fund balances	(2,367)	2,233	(5,792)	8,930	(713)	2,291	(28,547)	(26,256)
Fund balance, beginning of year	3,018	14,958	26,566	57,292	3,613	105,447	49,156	154,603
Fund balances, end of year	\$ 651	\$ 17,191	\$ 20,774	\$ 66,222	\$ 2,900	\$ 107,738	\$ 20,609	\$ 128,347

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
TOWN OF HURLEY
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 5,500	\$ 5,500	\$ 2,704	\$ -	\$ 2,704	\$ (2,796)
Expenditures:						
Current:						
Culture and recreation	19,825	19,825	19,763	(1,374)	18,389	62
Capital outlay	<u>500</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>20,325</u>	<u>20,325</u>	<u>19,763</u>	<u>(1,374)</u>	<u>18,389</u>	<u>562</u>
Excess (Deficiency) of revenues over expenditures	(14,825)	(14,825)	(17,059)	1,374	(15,685)	(3,358)
Other Financing Sources (Uses):						
Transfers in	15,000	15,000	15,000	-	15,000	
Transfers (out)	<u>-</u>	<u>-</u>	<u>(1,682)</u>	<u>-</u>	<u>(1,682)</u>	<u>(1,682)</u>
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>13,318</u>	<u>-</u>	<u>13,318</u>	<u>(1,682)</u>
Net change	175	175	(3,741)	<u>\$ 1,374</u>	<u>\$ (2,367)</u>	(3,916)
Cash balance, beginning of year	<u>6,582</u>	<u>6,582</u>	<u>6,582</u>			<u>-</u>
Cash balance, end of year	<u>\$ 6,757</u>	<u>\$ 6,757</u>	<u>\$ 2,841</u>			<u>\$ (3,916)</u>
Explanation of Differences:						
Change in payables				<u>\$ 1,374</u>		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
LODGERS' TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Local effort taxes	\$ 3,800	\$ 3,800	\$ 2,449	\$ (216)	\$ 2,233	\$ (1,351)
Expenditures:						
Current:						
Culture and recreation	-	-	-	-	-	-
Net change	3,800	3,800	2,449	(216)	2,233	(1,351)
Cash balance, beginning of year	14,576	14,576	14,576			-
Cash balance, end of year	<u>\$ 18,376</u>	<u>\$ 18,376</u>	<u>\$ 17,025</u>			<u>\$ (1,351)</u>
Explanation of Differences:						
Change in receivables				<u>\$ (216)</u>		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental	\$ 23,600	\$ 23,600	\$ 23,600	\$ -	\$ 23,600	\$ -
Interest	-	-	-	4	4	-
Total revenues	23,600	23,600	23,600	4	23,604	-
Expenditures:						
Current:						
Public safety	14,500	14,500	15,423	3,686	19,109	923
Capital outlay	12,500	12,500	5,800	(5,800)	-	18,300
Debt service:						
Principal	-	-	-	9,552	9,552	-
Interest	-	-	-	712	712	-
Total expenditures	27,000	27,000	21,223	8,150	29,373	5,777
Excess (deficiency) of revenues over expenditures	(3,400)	(3,400)	2,377	(8,146)	(5,769)	5,777
Other Financing Sources (Uses):						
Transfers (out)	-	-	(23)	-	(23)	(23)
Net change	(3,400)	(3,400)	2,354	<u>\$ (8,146)</u>	<u>\$ (5,792)</u>	5,754
Cash balance, beginning of year	7,999	7,999	7,999			-
Cash transferred to restricted	-	-	-			-
Cash balance, end of year	<u>\$ 4,599</u>	<u>\$ 4,599</u>	<u>\$ 10,353</u>			<u>\$ 5,754</u>

Explanation of Differences:

Recording of interest earned	\$ 4
Change in payables	2,114
Recording of principal debt payment	(9,552)
Recording of interest paid on debt	(712)
	<u>\$ (8,146)</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Fines and forfeitures	\$ 5,900	\$ 5,900	\$ 10,441	\$ (961)	\$ 9,480	\$ 4,541
Interest	100	100	73	(2)	71	(27)
Total revenues	6,000	6,000	10,514	(963)	9,551	4,514
Expenditures:						
Current:						
Public safety	2,600	2,600	1,211	(291)	920	1,389
Excess (Deficiency) of revenues over expenditures	3,400	3,400	9,303	(672)	8,631	5,903
Other Financing Sources (Uses):						
Transfers in	-	-	299	-	299	299
Net change	3,400	3,400	9,602	<u>\$ (672)</u>	<u>\$ 8,930</u>	6,202
Cash balance, beginning of year	<u>56,773</u>	<u>56,773</u>	<u>56,773</u>			<u>-</u>
Cash balance, end of year	<u>\$ 60,173</u>	<u>\$ 60,173</u>	<u>\$ 66,375</u>			<u>\$ 6,202</u>
Explanation of Differences:						
Change in receivables				\$ (963)		
Change in payables				<u>291</u>		
				<u>\$ (672)</u>		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Expenditures:						
Current:						
Public safety	\$ 2,700	\$ 2,700	\$ 283	\$ 565	\$ 848	\$ 2,417
Other Financing Sources (Uses):						
Transfers in	-	-	135	-	135	135
Net change	(2,700)	(2,700)	(148)	<u>\$ (565)</u>	<u>\$ 713</u>	2,552
Cash balance, beginning of year	<u>3,761</u>	<u>3,761</u>	<u>3,761</u>			-
Cash balance, end of year	<u>\$ 1,061</u>	<u>\$ 1,061</u>	<u>\$ 3,613</u>			<u>\$ 2,552</u>
Explanation of Differences:						
Change in payables				<u>\$ (565)</u>		

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

**NONMAJOR CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO
TOWN OF HURLEY
DIAZ AVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Budget	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental	\$ 46,825	\$ 46,825	\$ 46,825	\$ (46,825)	\$ -	\$ -
Expenditures:						
Capital outlay	46,825	46,825	46,825	(46,825)	-	-
Net change	-	-	-	<u>\$ -</u>	<u>\$ -</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in accounts receivable				\$ 46,825		
Change in accounts payable				<u>(46,825)</u>		
				<u>\$ -</u>		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
E STREET (PHASE II) FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental	\$ 1,159,286	\$ 1,159,286	\$ -	\$ -	\$ -	\$ (1,159,286)
Expenditures:						
Capital outlay	1,159,286	1,159,286	31,975	(18,658)	13,317	1,127,311
Excess (deficiency) of revenues over expenditures	-	-	(31,975)	18,658	(13,317)	(31,975)
Other Financing Sources (Uses):						
Transfers out	-	-	(15,230)	-	(15,230)	(15,230)
Net change	-	-	(47,205)	\$ 18,658	\$ (28,547)	(47,205)
Cash balance, beginning of year	67,814	67,814	67,814			67,814
Cash balance, end of year	\$ 67,814	\$ 67,814	\$ 20,609			\$ 20,609
Explanation of Differences:						
Change in payables				\$ 18,658		

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

**INDIVIDUAL OTHER ENTERPRISE
FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF NET POSITION
CEMETERY FUND
JUNE 30, 2013

Assets:

Current assets:

Cash	\$ 34,653
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Net Position:

Unrestricted	<u>34,653</u>
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Total net position	<u><u>\$ 34,653</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TOWN OF HURLEY
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 CEMETERY FUND
 JUNE 30, 2013

Operating Revenues:	
Charges for services	\$ 1,550
Operating Expenses:	
General operating expenses	<u>1,144</u>
Operating income	406
Non-Operating Revenues (Expenses):	
Interest income	<u>36</u>
Income before capital contributions and transfers	442
Transfers in	<u>301</u>
Change in net position	743
Net position, beginning of year	<u>33,910</u>
Net position, end of year	<u><u>\$ 34,653</u></u>

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

**STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF CASH FLOWS
CEMETERY FUND
JUNE 30, 2013**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,550
Cash payments to suppliers for goods and services	<u>(1,144)</u>
Net cash provided by operating activities	406
Cash Flows From Non-Capital and Financing Activities:	
Transfer in	301
Cash Flows From Investing Activities:	
Interest income	<u>37</u>
Net increase in cash	744
Cash and cash equivalents, beginning of year	<u>33,909</u>
Cash and cash equivalents, end of year	<u><u>\$ 34,653</u></u>
Displayed as:	
Cash	<u><u>\$ 34,653</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 406
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Adjustments - none	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 406</u></u>

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

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
TOWN OF HURLEY
JOINT UTILITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 455,200	\$ 468,043	\$ 462,711	\$ 1,550	\$ 464,261	\$ (5,332)
Miscellaneous	14,300	14,382	14,382	-	14,382	-
Total operating revenues	469,500	482,425	477,093	1,550	478,643	(5,332)
Operating Expenses:						
Personnel services	163,620	168,302	168,302	5,876	174,178	-
Utilities	25,850	29,076	29,076	(1,749)	27,327	-
Contractual services	182,650	179,549	179,931	(289)	179,642	(382)
Repairs and maintenance	11,350	9,969	9,878	(970)	8,908	91
General operating expenses	46,575	46,159	46,159	(1,451)	44,708	-
Depreciation	-	-	-	77,617	77,617	-
Total operating expenses	430,045	433,055	433,346	79,034	512,380	(291)
Operating income (loss)	39,455	49,370	43,747	(77,484)	(33,737)	(5,623)
Non-Operating Revenues (Expenses):						
Interest income	600	600	524	(11)	513	(76)
Capital outlay	(500)	(52,500)	(84,425)	84,425	-	(31,925)
Debt service - principal	(9,171)	(9,171)	(1,859)	1,859	-	7,312
Interest expense and other finance charges	(5,974)	(5,974)	(5,926)	46	(5,880)	48
Total non-operating revenues (expenses)	(15,045)	(67,045)	(91,686)	86,319	(5,367)	(24,641)
Income (loss) before other financing sources (uses)	24,410	(17,675)	(47,939)	8,835	(39,104)	(30,264)
Other Financing Sources (Uses):						
Contributed capital	-	52,000	85,851	57,134	142,985	33,851
Transfers in	102,701	113,051	95,000	-	95,000	18,051
Transfers (out)	(7,701)	(18,051)	(28,629)	-	(28,629)	(10,578)
Total other financing sources (uses)	95,000	147,000	152,222	57,134	209,356	(5,222)
Net change	119,410	129,325	104,283	\$ 65,969	\$ 170,252	(35,486)
Cash balance, beginning of year	1,022,383	1,022,383	1,022,383			-
Cash received for meter deposits	-	-	6,201			6,201
Cash transferred from restricted cash	-	-	69,616			69,616
Cash balance, end of year	\$ 1,141,793	\$ 1,151,708	\$ 1,202,483			\$ 40,331
Explanation of Differences:						
Change in receivables				\$ (8,371)		
Change in investments				3		
Addition to capital assets				69,600		
Change in accounts payables				19,284		
Change in accrued salaries				(1,347)		
Change in accrued liabilities				(1,526)		
Change in interest payable				46		
Change in compensated absences				(3,003)		
Reclassification of principal payments on debt				1,859		
Depreciation expense				(77,617)		
Receipt of restricted grant				67,041		
				\$ 65,969		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 123,000	\$ 124,469	\$ 124,469	\$ 410	\$ 124,879	\$ -
Operating Expenses:						
Personnel services	62,610	62,228	62,228	2,576	64,804	-
Contractual services	104,000	100,845	100,845	(657)	100,188	-
Total operating expenses	166,610	163,073	163,073	1,919	164,992	-
Operating income (loss)	(43,610)	(38,604)	(38,604)	(1,509)	(40,113)	-
Non-Operating Revenues (Expenses):						
Gross receipts taxes	6,125	6,125	4,949	(72)	4,877	(1,176)
Income (loss) before other financing sources (uses)	(37,485)	(32,479)	(33,655)	<u>(1,581)</u>	<u>(35,236)</u>	(1,176)
Other Financing Sources (Uses):						
Transfers in	-	-	3,702			3,702
Net change	(37,485)	(32,479)	(29,953)			2,526
Cash balance, beginning of year	137,997	137,997	137,997			-
Cash balance, end of year	<u>\$ 100,512</u>	<u>\$ 105,518</u>	<u>\$ 108,044</u>			<u>\$ 2,526</u>

Explanation of Differences:

Change in receivables	\$ 338
Change in payables	657
Change in accrued salaries	(1,127)
Change in accrued liabilities	(501)
Change in compensated absences	(948)
	<u>\$ (1,581)</u>

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

**OTHER ENTERPRISE FUND
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO
TOWN OF HURLEY
CEMETERY FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 2,500	\$ 2,500	\$ 1,550	\$ -	\$ 1,550	\$ (950)
Operating Expenses:						
General operating	600	1,144	1,144	-	1,144	-
Income (loss) before other financing sources (uses)	1,900	1,356	406	-	406	(950)
Non-Operating Revenues (Expenses):						
Interest income	50	50	37	(1)	36	(13)
Income (loss) before other financing sources (uses)	1,950	1,406	443	(1)	442	(963)
Other Financing Sources (Uses):						
Transfers in	-	-	301	-	301	301
Net change in cash balance	1,950	1,406	744	<u>\$ (1)</u>	<u>\$ 743</u>	(662)
Cash balance, beginning of year	33,909	33,909	33,909			-
Cash balance, end of year	<u>\$ 35,859</u>	<u>\$ 35,315</u>	<u>\$ 34,653</u>			<u>\$ (662)</u>
Explanation of Differences:						
Change in receivables				<u>\$ (1)</u>		

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013**

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
AmBank 512 Carrasco Hurley, New Mexico 88043				
Town of Hurley - General	Checking	\$ 1,802,305	\$ (26,425)	\$ 1,775,880
Town of Hurley - Construction	Checking	27,262	(12,892)	14,370
Town of Hurley - Water Deposit	Checking	41,298	(124)	41,174
Town of Hurley - USDA Debt Service	Checking	16,641	-	16,641
Certificate of Deposit	CD	112,215	-	112,215
Certificate of Deposit	CD	22,458	-	22,458
Certificate of Deposit	CD	66,563	-	66,563
Certificate of Deposit	CD	11,404	-	11,404
Certificate of Deposit	CD	28,509	-	28,509
Certificate of Deposit	CD	133,882	-	133,882
Total cash deposits		<u>\$ 2,262,537</u>	<u>\$ (39,441)</u>	<u>\$ 2,223,096</u>

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013**

AmBank
512 Carrasco
Hurley, New Mexico 88043

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Market Value</u>
Alamogordo	011446FS5	05/10/19	\$ 200,000	\$ 223,338
Fed Farm Credit	31331JY64	11/04/13	500,000	500,927
Lea County N Mex SD	521513AF8	07/15/16	225,000	243,560
Ruidoso NM MSD	781338GK8	08/01/18	450,000	483,547
Questa NM ISD 009	748352CR0	09/01/18	165,000	176,656
Roswell NM IND SC I	778550FP3	08/01/15	200,000	213,548
Ruidoso NM MSD	781338GK8	08/01/15	100,000	107,455
Alamogordo	011446FW9	08/01/15	300,000	308,742
Alamogordo	011446FW9	08/02/15	100,000	102,914
			<u>\$ 2,240,000</u>	<u>\$ 2,360,687</u>

The holder of the security pledged by AmBank is Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, Texas 75063.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF JOINT POWER AGREEMENT
JUNE 30, 2013

JOINT WASTEWATER AGREEMENT

- A. **Participants** – City of Bayard, Village of Santa Clara, Town of Hurley, and Fort Bayard Special District.
- B. **Party responsible for operations** – City of Bayard.
- C. **Description** – Operation and maintenance of joint use sewer system.
- D. **Beginning and ending of agreement** – Agreement began on September 11, 1963. The agreement remains in effect until canceled by the participating governments.
- E. **Total estimated amount of project and portion applicable to City** – The joint powers agreement is an ongoing joint venture to allow the Village of Santa Clara, Town of Hurley, and Fort Bayard Special District to dispose of waste water into the City of Bayard sewer system. As of June 30, 2013, the governments have expended \$9,798,626 for the construction and upgrades of the new wastewater facility. The governments' desire to make improvements to the discharge for purposes of recycling. The anticipated cost of the improvements is \$4,000,000.
- F. **Amount contributed in the current fiscal year** – The Town of Hurley contributed \$177,096.
- G. **Audit Responsibility** – The City of Bayard is responsible for the annual audit of all the financial activity.
- H. **Fiscal Agent** – The City of Bayard is the fiscal agent.
- I. **Name of government where revenues and expenditures** – City of Bayard.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards*

Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and Board of Trustees
Town of Hurley
Hurley, New Mexico

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of Town of Hurley (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplemental information, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We considered the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses listed as items 2012-01, 2012-02, 2012-03, 2012-05, and 2012-09.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies listed as items 2012-06 and 2012-08.

Compliance and Other Matters

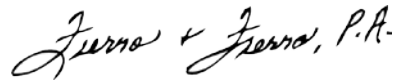
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test 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 listed as items 2009-01, 2012-11, 2012-17 and 2012-19.

The Town's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 25, 2013

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - FINANCIAL STATEMENTS FINDINGS

Item 2012-01 – Material Weakness – Financial Statements and Disclosures

Statement of Condition – The Town relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. For the fiscal year ended June 30, 2013, the Town’s administrative staff assisted the auditing firm in gathering some of the necessary information in order to concert their cash basis accounting information into financial statements prepared in accordance with GAAP. While the preparation of some of the schedules is a step in the right direction, The Town must display a level of expertise regarding financial reporting in accordance with GAAP in order to reduce the deficiency noted in internal controls regarding financial reporting.

Criteria – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: *“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity’s objective of reliable financial reporting.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states *“A material weakness is a deficiency, or 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.”* SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Effect – Since the Town’s administrative staff lack the ability to prepare, and did not prepare, GAAP financial statements, there is an increased risk that a misstatement of the Town’s financial statements, that is more than inconsequential, will not be prevented or detected. Further, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-01 – Material Weakness - Financial Statements and Disclosures (continued)

Cause – When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation – The Town should employ an individual to serve in the position of director of finance. This employee should have the ability to prepare financial statements in accordance with GAAP. Alternately, the Town could chose to consult with a separate accounting firm prior to and during the audit process that would assist the Town in the preparation of financial statements and the related notes. Notwithstanding the above recommendations, the Town should place proper financial resources in training the administrative staff that would include at a minimum, accounting courses that would instruct the staff of GAAP considerations in regards to government financial reporting.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Council has approved for an independent accountant to educate the Clerk and Deputy Clerk on preparing financial statements and disclosures in accordance with GAAP. Until this is successfully accomplished, the independent accountant will provide assistance to the Town Clerk.

Item 2012-02 – Material Weakness - Accounting Activity and Accounting System

Statement of Condition – During the fiscal year, the following deficiencies regarding the Town's accounting activity were noted:

- The Town failed to record financial activity related to debt of the Town held by outside parties. In particular, the Town failed to record activity at the New Mexico Finance Authority for gross receipts intercepts, earning of interest income, and the payment of outstanding liabilities on their records.
- Further, the Town failed to record financial activity at the Bank of Albuquerque escrow accounts related to Town debt.
- The Town failed to reconcile its capital assets subsidiary records with the general ledger activity.
- The Town had numerous posting errors between funds as recorded in the accounting records.

The Town is currently using accounting computer software for its general ledger and accounts payable function, which is not conducive to fund accounting required for governmental accounting and financial reporting.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-02 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) –This software, while easy to use by individuals who do not have a great deal of formal accounting training or experience, allows corrections and changes to be easily made, which can be detrimental to the entire accounting process. To further complicate the situation, the accounting staff lacks the proper knowledge regarding governmental accounting requirements in order to adapt the computer software to meet the needs of fund accounting.

Criteria – Section 6-6-3(A) NMSA 1978 requires that every local body shall “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This requires the Town maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. Further, the general ledger must be able to substantiate detail as to the financial activity of the Town.

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115 paragraph 3 states the following: “*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives.*” Appropriate internal controls over financial reporting include the ability to understand the key components financial statements in accordance with GAAP. Underlining this premise is the requirement that the Town will maintain the accounting records in such a manner as to allow the preparation of financial statements. For example, the reconciliation of the capital assets between the general ledger and subsidiary ledgers provides assurance of proper accountability and reduces that chance of a material misstatement. Finally, appropriate internal controls would include establishing a general ledger system that maintains financial date in such a matter that reliable financial reports can be generated.

Effect – Since the Town personnel failed to reconcile and or record key components of the financial statements, there is an increased risk that a misstatement of the Town’s financial statements that is more than inconsequential will not be prevented or detected. Further, since the Town accounting staff lacks the proper knowledge or training regarding some aspects of the conditions noted such as the reconciliation of capital assets there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

The present general ledger accounting software, as utilized by the accounting staff, is incapable of producing reliable fund financial data needed for governmental financial reporting.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-02 – Material Weakness – Accounting Activity and Accounting System (continued)

Cause – The Town’s administrative staff maintains cash basis accounting records and lacks the necessary accounting skills to recognize all the key components of the financial statements that are prepared on the economic resources measurement focus (which includes the accrual basis of accounting) and the current financial resources measurement focus (which includes the modified accrual basis of accounting).

At one time, the Town opted to utilize a popular computer software for its general ledger, accounts payable and payroll function. This particular software, while inexpensive when compared to fund accounting packages, is not designed for fund accounting. Its market appeal is to the small commercial business owner.

Recommendation – The Town should employ an individual to serve in the position of director of finance. This employee should have the ability to prepare financial statements in accordance with GAAP. Alternately, the Town could choose to consult with a separate and independent accounting firm prior to and during the audit process that would assist the Town in the gathering of key components of the financial statements and the related notes. Further, we recommend the Town either purchase fund accounting software, or receive additional training in how to adapt their current software to fit the fund concept required by government accounting model.

Views of Responsible Officials and Planned Corrective Actions –We concur with the recommendation. The Council has approved for an independent accountant to educate the Clerk and Deputy Clerk on preparing financial statements and disclosures in accordance with GAAP. Until this is successfully accomplished, the independent accountant will provide assistance to the Town Clerk.

*Item 2012-03 – Material Weakness – Capital Asset
Subsidiary Records and Depreciation Expense*

Statement of Condition – The Town has maintained a capital asset listing that detail property and equipment owned by the Town that has not been updated. Many of the items on the listing 1) may no longer be in service, 2) have an original cost value of less than \$5,000 and 3) may or may not include identification numbers. The Town has not made adjustments to the listing that would include appropriate additions and deletions for equipment acquired, donated and disposed of.

Criteria – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of fixed assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department, requires the Town implement a systematic and well documented system for accounting of fixed assets. The information to be recorded and maintained must include, at a minimum, the following:

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2012-03 – Material Weakness – Capital Asset
Subsidiary Records and Depreciation Expense (continued)*

Criteria (continued) –

- 1) Agency name.
- 2) Fixed asset number.
- 3) A description using words meaningful for identification.
- 4) Location.
- 5) Manufacturer's name.
- 6) Model number or model name.
- 7) Serial number or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions. The system must generate all necessary accounting entries to the Town's general ledger.

Effect – The Town is not in compliance with New Mexico State Administrative Code 2.20.1. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by State Statute. Inadequate subsidiary capital asset records could allow assets to be lost or stolen, and the missing asset would not be detected in a timely manner. Further, material variances between the financial statements/general ledger and subsidiary ledgers can occur and the ability to reconcile the variances is quickly lost. Finally, depreciation expense may be misstated if the underlying assets are incorrect.

Cause – The Town's management has failed in maintaining an adequate subsidiary accounting system for capital assets owned by the Town. The passage of years, numerous changes in the town staff, and poor record keeping has magnified the differences between amounts recorded on the general ledger and subsidiary fixed assets records. Those charged with governance and management have not placed high priority or resources on the internal control process and on the accounting for the capital assets owned by the Town.

Recommendation – We recommend the Town establish a capital asset accounting system that meets the criteria established by the New Mexico Administrative Code 2.20.1. Further, the Town must reconcile the fixed assets subsidiary records with the general ledger. The Town's historical records should be used to reconstruct the fixed assets subsidiary accounting ledgers. If historical records are inadequate, the Town should seek the assistance from a valuation firm in order to reconstruct the historical value of capital assets owned.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

*Item 2012-03 – Material Weakness - Capital Asset
Subsidiary Records and Depreciation Expense (continued)*

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Town will request a professional firm to help identify the value of all capital assets owned by the Town. The staff will work with this firm to establish a capital asset accounting system to meet the criteria established by the New Mexico Administrative Code 2.20.1 and will reconcile the fixed assets subsidiary records with the inventory list.

Item 2012-05 – Material Weakness – Annual Inventory of Capital Assets

Statement of Condition – The Town late in performing an accurate and complete inventory of capital assets for June 30, 2013. An internal attempt at an inventory by the various departments of the Town was conducted during the months of October and November 2013. The Town has not compared the results of its inventory with the capital asset subsidiary records.

Criteria – According to the Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls, 2.20-1.16, Annual Inventory*, the Town shall conduct an annual physical inventory of its capital assets consisting of those costs of \$5,000 or more, under the control of the Town.

Effect – Non-performance of the annual physical inventory of all capital assets owned by the Town could allow errors to occur in the capital assets subsidiary records and financial statements. These errors would not be detected on a timely basis. Further, dishonest employees could remove items and the theft would not be detected on a timely basis.

Cause – Those charged with the governance of the Town and management have not placed high priority or resources on the accounting and reporting of capital assets.

Recommendation – We recommend the Town adhere to the administrative order regarding the performance of a complete and accurate annual inventory. Procedures must be established to ensure that Town personnel are given clear and concise direction as to what constitutes a capital asset when conducting the annual physical count.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Town will follow the same procedures as described in finding item 2012-03 to correct this finding. The Town will ensure that each department will be instructed to what constitutes a capital asset when maintaining the inventory list.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-06 – Significant Deficiency – Cash Reconciliation to General Ledger

Statement of Condition – The Town uses one bank account for the operations of all funds, with the exception of its capital projects funds and the water meter deposits. While the Town does a monthly bank reconciliation using its accounting software, they do not reconcile the bank balance to the cash balances as listed in the general ledger per fund. The reconciled bank balance at June 30, 2013 was \$1,775,879.79 while the general ledger balance was \$1,774,521.17. The difference was \$1,358.62. It could not be determined what fund contained the error as the Town pools its cash. In addition, the water meter deposit reconciled bank balance was \$41,173.91 at June 30, 2013 while the general ledger balance was \$41,299.91. The difference was \$126.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – Without accurate full reconciliations to the general ledger, errors could occur and not be detected. Incorrect decisions, such as budget creation and or adjustments that require the use of cash reserves, may occur as a result of erroneous information.

Cause – Unknown.

Recommendation – We recommend the Town officials expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of cash balances. These procedures must include proper reconciliation of differences in reconciled bank balances and the Town's general ledger balances.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The independent accountant is training the Town clerks on proper procedures of reconciliation of bank balances to the Town's general ledger balances. In addition, the Town is seeking a different accounting software package to help eliminate crossing funds which also contributes to errors.

Item 2012-08 – Significant Deficiency -Control of Utility Inventory

Statement of Condition – The Town does not maintain an inventory accounting system to ensure that the utility inventory is recognized and recorded. Further, at the end of the fiscal year ended June 30, 2013, inventories of material and supplies on hand was not counted and reconciled with inventory records of goods on hand.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-08 – Significant Deficiency -Control of Utility Inventory (continued)

Criteria – To safeguard inventory, the Town must establish formal internal control with written policies and procedures to ensure that material and supplies are adequately controlled and safeguarded. Further, the accounting controls should be designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Further, according to the New Mexico Administrative Code, Title 17, Public Utilities and Utility Services, Chapter 12, *Uniform Systems of Accounts and Annual Report Forms for Water Utilities, Part 17.12.720.16 Balance Sheet Accounts, A(7)(c) Material and Supplies*: inventories of materials and supplies. Fuel, etc., shall be taken annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories.

Effect – Non-performance of the annual physical count of utility inventory owned by the Town could allow errors to occur in the inventory subsidiary records and financial statements. These errors would not be detected on a timely basis. Further, dishonest employees could remove items and the theft would not be detected on a timely basis.

Cause – Unknown.

Recommendation – We recommend the Town establish written policies and procedures to ensure that utility material, supplies and inventory are adequately controlled and safeguarded. The procedures established should ensure that Town personnel are given clear and concise direction as to what constitutes utility inventory when conducting the annual physical count.

Views of Responsible Officials and Planned Corrective Actions – The Town will give clear and to the point ways to the water department supervisor of what comprises utility inventory when they perform a monthly inventory. The maintenance supervisor is working with his employees to get physical counts of all utility inventory owned by the Town. The maintenance supervisor will provide a quarterly utility report which will include units used and on hand and their respective cost amounts to the Town Clerk for purposes of review and usage tracking.

Item 2012-09– Material Weakness - Customer Utility Deposits

Statement of Condition – During the testing of customer utility deposits at year end, we discovered the following conditions:

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-09– Material Weakness - Customer Utility Deposits (continued)

Statement of Condition (continued) –

- The City has failed to complete its reconciliation of the customer utility deposit register report balance of \$71,737 with:
 - the individual customer utility records
 - general ledger balance of \$126,553
 - bank account balance restricted for meter deposits of \$41,174
- The City has failed to review the outstanding check register to determine if any of the outstanding checks are refunds for utility deposits and to follow up with the customer concerning the depositing of the check.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect – With an incorrect liability, the financial statements for the Joint Water & Sewer Fund could be reported incorrectly. Refunds could be issued erroneously if records are not complete and accurate.

Cause – The Town failed to properly reconcile the customer deposit listing. The Town's administration may have failed to issue or apply deposit funds to all applicable customer accounts in a timely manner.

Recommendation – We recommend the Town's finance department begin a reconciliation of any outstanding checks payable to customers for refunded deposits. Once the review is complete, checks should be issued to all accounts which have been closed and money is owed to the customer. Furthermore, the City needs to review all customer deposits per the Town's deposit register to ensure the balance reflect on the register is accurate. The Town can then determine if any cash transfers should be made to or from the deposit bank accounts.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The utility clerk is going through each customer account to ensure, where applicable, the account was closed out correctly and deposits refunded accordingly. If the account was not closed properly, the utility clerk will take the steps necessary to close the account and remove the customer's balance from the reports. The utility clerk provides a spreadsheet to the Clerk to verify. This procedure has been a time consuming process since periodic and or annual reconciliations were not performed by the previous administration.

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-01 – Compliance - Legal Compliance with Adopted Budget

Statement of Condition – The following fund exceeded its respective approved budget as follows:

Fund	Authorized Budget	Actual Amounts Expended	Excess of Approved Budget
Joint Utility fund	\$ 500,700	\$ 525,556	\$ 24,856

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibits local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. Town officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – In preparing the budget, the Town combined the revenues and expenditures for all major projects that are capital in nature under the Capital Projects fund. These projects included some activities that would be reported in governmental funds and other activities that would be reported in the business-type funds. The intended budgeted expenditures for the wastewater project, a business-type activity, were included in the capital projects (governmental) fund budget. No budget adjustment requests were prepared.

Recommendation – We recommend that the Town establish procedures that include a comprehensive mid-year review of its budget. The review will allow the governing body to examine fiscal performance and make budget adjustments, if needed. It should include a comparison of revenues and expenditures to date to the approved budget. A review of planned activity for the last half of the fiscal year should be made and compared to the approved budget. Based on the mid-year review, a resolution requesting budget adjustments should be submitted to the Department of Finance & Administration Local Government Division, if necessary. Finally, budgets for capital projects should be placed in their appropriate funds.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Town Clerk is providing each department supervisor with a quarterly report of their budgeted funds. This is to ensure every department stays within their approved budget. The Town Clerk and council are working on budget adjustments throughout the fiscal year and getting approval from DFA, when necessary. This had not been done in the previous fiscal years because the administration had not been trained to do budget adjustments when needed. The Town Clerk will also do budget adjustments for the current fiscal year to place capital project revenues and expenditures in their appropriate funds.

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-11 – Compliance - Per Diem and Mileage Act

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was twenty-six transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were seven instances where employees were paid one-hundred percent (100%) of travel reimbursement, in advance, prior to departure, instead of the eighty percent (80%) as required by the New Mexico Travel and Per Diem Act.
- There were ten instances where the 80% advance was miscalculated.
- There was one instance where the reimbursement was miscalculated and the employee was overpaid by \$10.
- There were five instances in which the partial day was miscalculated. The total amount underpaid was \$84.
- There was one instance where per diem was miscalculated. The total amount underpaid was \$119.
- There were five instances where the mileage was calculated incorrectly. The total amount underpaid was \$91.

Criteria – The New Mexico Department of Finance and Administration has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Sections 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.23.8 B (2) provides guidance regarding the per diem computation. In particular subsection one discusses the partial day per diem computation methods.

Section 2.48.2.8 B (3) provides guidance regarding partial day reimbursement when the return is made from overnight travel.

Section 2.42.2.10 A states, “...employee’s request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals...”

Section 2.42.2.11 D (1) states that mileage accrued shall be determined “pursuant to the mileage chart of the official state highway and transportation department for distances in New Mexico ...”

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-11 – Compliance – Per Diem and Mileage Act (continued)

Cause – Errors in the mileage rate calculation and the incorrect mileage accrued was due to not fully understanding the administrative code. The remainder of the discrepancies was caused by a lack of understanding the Per Diem and Mileage Act.

Recommendation – We recommend the Town review the Per Diem and Mileage Act and the administrative code to ensure compliance with the Act. We recommend the Town review the internal control procedures currently in practice to evaluate whether they are adequate to provide reasonable assurance that all travel and per diem calculations are correct.

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Town is following the state’s mileage and per diem regulations. The Town now pays an 80% advance versus 100% that the employees were getting before the travel. The Town Clerk will implement an internal control procedure to thoroughly review all travel and per diem calculations.

Item 2012-17 – Compliance – Board of Councilors Official Minutes

Statement of Condition – During the review of the Town’s Board of Councilors’ board minutes, we discovered the following discrepancies:

- The board minutes for the meeting held on July 10, 2012 were not presented at the subsequent board meeting, held on July 24, 2012. The minutes were presented and ready for approval by the governing board at the August 14, 2012 board meeting.
- The board minutes for the meeting held on February 12, 2013 were not presented at the subsequent board meeting, held on February 26, 2013. The minutes were presented and ready for approval by the governing board at the March 12, 2013 board meeting.

Criteria – Meetings of the governing body are subject to the Open Meetings Act (Section 10-15-1 through 10-15-4). Section 10-15-1G NMSA 1978 (Open Meetings Act) requires that draft minutes be prepared within ten working days after the meeting and be approved, amended or disapproved at the next meeting where a quorum is present.

Effect – Per Section 10-15-4, violations of the Open Meetings Act is a misdemeanor and is punishable by a fine of up to \$500.

Cause – The Town was not aware that draft minutes needed to be prepared within ten working days after the meeting and presented for approval at the next meeting where a quorum is present, regardless if the next meeting is a special meeting.

Recommendation – We recommend the Town implement administrative procedures to ensure compliance with New Mexico state statutes. Furthermore, we recommend the Town Attorney provide training to the Town’s Board of Councilors and staff concerning the requirements of the Open Meetings Act.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-17 – Compliance – Board of Councilors Official Minutes (continued)

Views of Responsible Officials and Planned Corrective Actions – We concur with recommendation. The clerk, mayor and council members are all working to follow the New Mexico Open Meetings Act. The clerk has attended training at the spring clerk’s conference on the open meetings act. The clerk is also working to make sure all minutes are approved and signed. The Town was not aware that the minutes had to be approved when there was a special meeting scheduled. The minutes were only being approved at a regular meeting. From this point forward, the council will approve minutes from the previous meeting at which every meeting follows whether it be a special or regular meeting.

Item 2012-19 – Other Matters - Stale Checks

Statement of Condition – During our review of the Town’s year end bank reconciliations, it was discovered the Town has seventeen (17) old (stale dated) checks, totaling \$1,470.24, on its outstanding check register. These old (stale) checks have not been managed under the New Mexico escheat laws. The oldest check outstanding is dated March 6, 2009. Furthermore, the Town failed to void the outstanding checks which have been outstanding greater than 90 days, as per the Town’s cash policy.

Criteria – Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*, sets forth the processes and requirements of a holder of property (Town) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

The Town’s cash policy states all checks outstanding for greater than 90 days, from the date of issuance, shall be null and void. This information is also stated on each check issued by the Town.

Effect – The Town is in non-compliance with New Mexico State Statutes and their policy and procedures. While these amounts are immaterial to the financial statements, monies owed to residents or former residents of the Town should be paid timely. Cash balances could be understated due to these outstanding checks. Non-compliance with New Mexico State Statutes and the Administrative Code subjects the governing board and management to penalties and punishment defined by state statute.

Cause – Unknown.

Recommendation – We recommend the Town review their outstanding check register as of the end of the fiscal year to determine which checks meet the requirements of state statutes. Once this is determined, Town staff needs to review and comply with the Uniform Unclaimed Property Act. All other outstanding checks should be voided and the Town’s bank reconciliations to be adjusted.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-19 – Other Matters - Stale Checks (continued)

Views of Responsible Officials and Planned Corrective Actions – We concur with the recommendation. The Town clerk will examine each stale check in Quick Books. This is to ensure 1) the check was or was not cashed, and 2) no error occurred in reconciling the check. The clerk will also contact the bank to verify that the checks have never been cashed. The last step will be to contact the State of New Mexico for proper reporting under the Uniform Unclaimed Property Act. Addition help will be sought concerning dealing with the Uniform Unclaimed Property Act.

SECTION II - PRIOR YEAR'S AUDIT FINDINGS

Item 2012-01 – Material Weakness – Financial Statements Disclosure - In the prior fiscal year, the Town relied on the auditor to prepare its generally accepted accounting principles (GAAP) financial statements. The finding is not considered resolved and is repeated in the current year as item 2012-02.

Item 2012-02 – Material Weakness – Accounting Activity - In the prior fiscal year, the Town had several deficiencies regarding the Town's accounting activity. The finding is not considered resolved, has been modified, and is repeated in the current year as item 2012-02.

Item 2012-03 – Material Weakness – Capital Asset Subsidiary Records and Depreciation Expense - In the prior fiscal year, the Town's capital assets listing that detail property and equipment owned by the Town had not been updated. Many of the items on the listing 1) may no longer be in service, 2) have an original cost value of less than \$5,000 and, 3) do not include identification numbers. The Town had not made adjustments to the listing that may have included additions and deletions for equipment acquired, donated and disposed of. The finding is not considered resolved and is repeated in the current year as item 2012-03.

Item 2012-04 – Material Weakness – Capital Assets – Inventory Control Numbers - In the prior fiscal year, the Town had not placed identification tags on its capital assets. The Town attempted to place tags and other identification means on the assets it identified. This is a work in progress. The finding is considered resolved.

Item 2012-05 – Material Weakness – Annual Inventory of Capital Assets – In the prior fiscal year, the Town failed to perform an accurate and complete inventory of capital assets at June 30, 2012. An attempt at an inventory count for June 30, 2013 was conducted by the Town during the months of October and November 2013. The finding is not considered resolved and is repeated in the current year as item 2012-05.

Item 2012-06 – Significant Deficiency – Cash Reconciliation to General Ledger – In the prior year, the Town did not reconcile the bank balance to the cash balances as listed in the general ledger per fund. The finding is not considered resolved and is repeated in the current year as item 2012-06.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - PRIOR YEAR'S AUDIT FINDINGS (continued)

Item 2012-07 – Significant Deficiency – Procedures for Vendor Payments – In the prior year, the Town had numerous instances of deficiencies concerning procedures for vendor payments. During the current year, the Town implemented new procedures that included a review by management of all payments and documentation prior to the actual vendor payment. The finding is considered resolved.

Item 2012-08 – Significant Deficiency -Control of Utility Inventory – In the prior year, the Town had not maintained an inventory accounting system to ensure that the utility inventory is recognized and recorded. Further, at the end of the fiscal year ended June 30, 2013, inventories of material and supplies on hand was not counted and reconciled with inventory records of goods on hand. The finding is not considered resolved and it repeated as item 2012-08.

Item 2012-09 – Significant Deficiency – Customer Utility Deposits – In the prior year, the Town had not properly reconciled its customer utility deposits to the general ledger balance and to the bank balance that maintains the deposits. The finding is not considered resolved and is repeated as item 2012-09 as a material weakness.

Item 2009-01 – Compliance – Legal Compliance with Adopted Budget – In the prior year, the Town had eight funds that exceeded their respective approved budgets. In the current year, the Town had two funds that exceeded their respective approved budgets. The finding is not considered resolved and had been modified as item 2009-01.

Item 2012-10 – Compliance – Deficit Ending Cash Balances for Budget – In the prior year, there were two funds in which the Town had a deficit ending cash balance budget at June 30, 2012. For the year ending June 30, 2013, there were no funds of which the Town had a deficit ending cash balance. The finding is considered resolved.

Item 2012-11 – Compliance – Per Diem and Mileage Act – In the prior year, there were numerous instances of non-compliance with the New Mexico per diem and mileage act. The finding is not considered resolved and is repeated as finding 2012-11.

Item 2012-11 – Compliance – Procurement Code – In the prior year, there was a violation of the New Mexico procurement code. The violation was unique to the year ending June 30, 2012 and as such is considered resolved.

Item 2012-11 – Compliance – Transmittals of Court Fees – In the prior year, there Town had not transmitted court automation fees and judicial education fees to the appropriate authorities in a timely basis. The Court initiated the necessary steps to remedy the finding during the year ending June 30, 2013. The finding is considered resolved.

Item 2012-11 – Compliance – Unemployment Compensation Law – In the prior year, the Town had not registered with New Mexico Department of Workforce Solutions for unemployment purposes and as such had not paid unemployment taxes or made any payments in lieu of contributions. During the current year the Town completed its registration obligation and has been filing the appropriate reports. The finding is considered resolved.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - PRIOR YEAR'S AUDIT FINDINGS (continued)

Item 2012-11 – Compliance – Lodger's Tax Audit – In the prior year, the Town had not conducted a lodgers' tax audit of the one lodger type business within its Town limits. During the current year the Town conducted a lodger's tax audit. The finding is considered resolved.

Item 2012-11 – Compliance – Series 2009 Bond Ordinance – In the prior year, the Town was not in compliance regarding reserves for the Wastewater System Improvement Revenue Bonds. During the current year the Town established a separate bank account to hold the reserve requirements of bond ordinance 75. The Town made deposits into the bank account that satisfy the requirements of sections 16 and 17 of the bond ordinance. The finding is considered resolved.

Item 2012-17 – Compliance – Board of Councilors Official Minutes – In the prior year, the Town 1) had not approved minutes for several meetings, 2) had not filed minutes for workshops, 3) had not officially signed several minutes and 4) had discussion on topics in a special meeting that were not advertised as such. The finding is not considered resolved and is repeated as item 2012-17.

Item 2012-18 – Compliance – Grant Compliance – In the prior year, the Town had not maintained complete documentation on its grant with the New Mexico Department of Transportation. For the current year, the Town's grant files were complete. The finding is considered resolved.

Item 2012-19 – Other Matters – Stale Checks – In the prior year, the Town had eighteen old stale checks totaling \$1,920 on its outstanding check register. The finding is not considered resolved, has been modified and is repeated as item 2012-19.

Item 2012-19 – Other Agency Credit Cards for Fuel Purchases – In the prior year, the Town had not maintained eighteen old stale checks totaling \$1,920 on its outstanding check register. The finding is not considered resolved, has been modified and is repeated as item 2012-19.

Item 2012-21 – Other - Annual Leave Payments – In the prior year, the Town had 1) paid employees for annual and sick leave that was not earned and had allowed five employees to carry forward balances of earned vacation hours in excess of 144 hours. During the year, the Town reviewed its compensating absences records and made appropriated adjustments. The finding is considered resolved.

STATE OF NEW MEXICO
TOWN OF HURLEY
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2013

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on November 27, 2013. Present for the Town was Freddie M. Rodriguez, councilor; and Martha Salas, Town clerk-treasurer. Present for the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Town of Hurley as of June 30, 2013. The Town's upper management have reviewed and approved the financial statements and related notes, and they believe that the Town's books and records adequately support them.