

**STATE OF NEW MEXICO  
TOWN OF HURLEY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2014**

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
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**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
Directory of Officials  
June 30, 2014

***ELECTED OFFICIALS***

Edward M. Encinas ..... Mayor  
Fernando G. Martinez ..... Mayor Pro-Tem  
Esther Gil ..... Councilor  
Freddie M. Rodriguez..... Councilor  
Rudy M. Peña ..... Councilor

***ADMINISTRATION***

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

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent Auditors' Report

Hector 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 for the general fund of Town of Hurley, New Mexico (Town), as of and for the year ended June 30, 2014, 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, nonmajor enterprise fund, and the budgetary comparisons for the major capital project fund, 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, 2014, 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 fully evaluated and reconciled the subsidiary records that 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, in all material respects, the financial position of the governmental activities of the Town of Hurley as of June 30, 2014, 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 fully evaluated and reconciled the subsidiary records that 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, in all material respects, the financial position of the business-type activities of the Town of Hurley as of June 30, 2014, 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 governmental fund and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 funds and nonmajor enterprise fund as of June 30, 2014, 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 budgetary comparisons for the major capital project fund, the major enterprise funds and all nonmajor funds referred to above present fairly, in all material respects, the budgetary comparisons of the Town for the year then ended in accordance with 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*

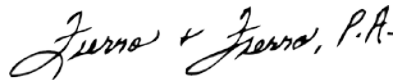
Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other supplemental financial information required by Section 2.2.2 NMAC are presented for purposes of additional analysis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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 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 20, 2014



## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Current assets:			
Cash	\$ 838,068	\$ 1,368,123	\$ 2,206,191
Investments	2,812	1,721	4,533
Receivables, net	145,573	59,457	205,030
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current assets	986,453	1,429,301	2,415,754
Noncurrent assets:			
Restricted cash	588	65,149	65,737
Restricted investments	60,186	57,328	117,514
Capital assets:			
Land and construction in progress	25,993	35,951	61,944
Other capital assets, net of depreciation	9,378,847	3,256,228	12,635,075
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total noncurrent assets	9,465,614	3,414,656	12,880,270
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 10,452,067</u>	<u>\$ 4,843,957</u>	<u>\$ 15,296,024</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	90,175	24,205	114,380
Accrued salaries	9,579	6,705	16,284
Accrued payroll taxes	3,472	2,302	5,774
Accrued sales tax	-	2,441	2,441
Accrued interest payable	392	2,890	3,282
Deposits payable	588	54,150	54,738
Current maturities of:			
Bonds payable	-	1,660	1,660
Notes payable	41,925	703	42,628
Compensated absences	4,008	6,747	10,755
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current liabilities	150,139	101,803	251,942
Noncurrent liabilities:			
Bonds payable	-	134,330	134,330
Notes payable	99,187	11,073	110,260
Compensated absences	3,057	2,606	5,663
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total noncurrent liabilities	102,244	148,009	250,253
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	252,383	249,812	502,195
<b>Net Position:</b>			
Net investment in capital assets	9,263,728	3,144,413	12,408,141
Restricted for:			
Debt service	60,186	79,682	139,868
State mandated per statutes	131,361	-	131,361
Unrestricted	744,409	1,370,050	2,114,459
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net position	10,199,684	4,594,145	14,793,829
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and net position	<u>\$ 10,452,067</u>	<u>\$ 4,843,957</u>	<u>\$ 15,296,024</u>

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, 2014**

Functions/Programs	Expenses	Program Revenues			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
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 125,112	\$ 22,087	\$ 321,693	\$ -	\$ 218,668	\$ -	\$ 218,668
Public safety	412,870	330	88,929	-	(323,611)	-	(323,611)
Public works	189,998	-	-	382,383	192,385	-	192,385
Culture and recreation	50,293	3,072	-	-	(47,221)	-	(47,221)
Interest on long-term debt	1,964	-	-	-	(1,964)	-	(1,964)
<b>Total governmental activities</b>	<b>780,237</b>	<b>25,489</b>	<b>410,622</b>	<b>382,383</b>	<b>38,257</b>	<b>-</b>	<b>38,257</b>
<b>Business-type activities:</b>							
Water	177,865	197,161	-	-	-	19,296	19,296
Wastewater	330,205	271,085	-	456,126	-	397,006	397,006
Solid waste	140,157	125,661	-	-	-	(14,496)	(14,496)
Cemetery	2,691	3,550	-	-	-	859	859
Interest on long-term debt	5,827	-	-	-	-	(5,827)	(5,827)
<b>Total business-type activities</b>	<b>656,745</b>	<b>597,457</b>	<b>-</b>	<b>456,126</b>	<b>-</b>	<b>396,838</b>	<b>396,838</b>
<b>Total primary government</b>	<b>\$ 1,436,982</b>	<b>\$ 622,946</b>	<b>\$ 410,622</b>	<b>\$ 838,509</b>	<b>38,257</b>	<b>396,838</b>	<b>435,095</b>
<b>General Revenues:</b>							
Gross receipts taxes					175,272	4,111	179,383
Property taxes, levied for general purposes					14,931	-	14,931
Lodgers' taxes					2,057	-	2,057
Franchise taxes					25,681	-	25,681
Public service taxes					8,914	-	8,914
Insurance recoveries					14,200	-	14,200
Interest income					979	671	1,650
Transfers					(4,984)	4,984	-
<b>Total general revenues and transfers</b>					<b>237,050</b>	<b>9,766</b>	<b>246,816</b>
Changes in net position					275,307	406,604	681,911
Net position, beginning of year					9,924,377	4,115,138	14,039,515
Restatement					-	72,403	72,403
Net position, beginning of year, restated					9,924,377	4,187,541	14,111,918
Net position, end of year					<b>\$ 10,199,684</b>	<b>\$ 4,594,145</b>	<b>\$ 14,793,829</b>

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, 2014**

	<u>General Fund</u>	<u>E Street (Phase II) Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 626,665	\$ 49,659	\$ 161,744	\$ 838,068
Investments	2,812	-	-	2,812
Receivables, net	65,249	80,055	269	145,573
Restricted:				
Investments	951	-	59,823	60,774
Total assets	<u>\$ 695,677</u>	<u>\$ 129,714</u>	<u>\$ 221,836</u>	<u>\$ 1,047,227</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 6,095	\$ 80,055	\$ 4,025	\$ 90,175
Accrued salaries	6,651	-	2,928	9,579
Accrued payroll taxes	3,366	-	106	3,472
Deposits payable	-	-	588	588
Total liabilities	16,112	80,055	7,647	103,814
Deferred Inflows of Resources:				
Unearned revenues	9,478	-	-	9,478
Fund Balances:				
Restricted for:				
Debt service	951	-	59,235	60,186
State mandated per statutes	-	-	131,361	131,361
Committed for:				
One twelfth budget reserve	52,222	-	-	52,222
Subsequent years' expenditures	104,092	29,050	11,694	144,836
Assigned	-	20,609	11,899	32,508
Unassigned	512,822	-	-	512,822
Total fund balances	<u>670,087</u>	<u>49,659</u>	<u>214,189</u>	<u>933,935</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 695,677</u>	<u>\$ 129,714</u>	<u>\$ 221,836</u>	<u>\$ 1,047,227</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 POSITION  
JUNE 30, 2014

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

Total fund balance governmental funds (page seven)	\$	933,935
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,404,840
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.		9,478
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		(148,177)
Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net position. Governmental funds recognize the interest as it becomes due.		<u>(392)</u>
Net position of governmental activities (page five)	\$	<u><u>10,199,684</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	E Street (Phase II) Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Gross receipts taxes	\$ 175,272	\$ -	\$ -	\$ 175,272
Property taxes	13,080	-	-	13,080
Franchise taxes	25,681	-	-	25,681
Lodgers' taxes	-	-	2,057	2,057
Public service taxes	8,914	-	-	8,914
Intergovernmental - federal	-	352,383	-	352,383
Intergovernmental - state	321,693	30,000	88,929	440,622
Charges for services	5,258	-	3,072	8,330
Licenses and permits	1,439	-	-	1,439
Fines and forfeitures	330	-	15,390	15,720
Interest	903	-	76	979
Miscellaneous	14,200	-	-	14,200
<b>Total revenues</b>	<b>566,770</b>	<b>382,383</b>	<b>109,524</b>	<b>1,058,677</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	109,738	-	-	109,738
Public safety	316,449	-	49,336	365,785
Public works	23,461	10,950	-	34,411
Culture and recreation	3,907	-	25,967	29,874
Capital outlay	24,597	352,383	12,745	389,725
<b>Debt service:</b>				
Principal	3,441	-	36,404	39,845
Interest and other charges	172	-	2,038	2,210
<b>Total expenditures</b>	<b>481,765</b>	<b>363,333</b>	<b>126,490</b>	<b>971,588</b>
Excess (deficiency) of revenues over expenditures	85,005	19,050	(16,966)	87,089
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	14,705	-	-	14,705
Transfers in	2,464	10,000	32,631	45,095
Transfers (out)	(50,079)	-	-	(50,079)
<b>Total other financing sources (uses)</b>	<b>(32,910)</b>	<b>10,000</b>	<b>32,631</b>	<b>9,721</b>
Net change in fund balances	52,095	29,050	15,665	96,810
Fund balances, beginning of year	617,992	20,609	198,524	837,125
Fund balances, end of year	<u>\$ 670,087</u>	<u>\$ 49,659</u>	<u>\$ 214,189</u>	<u>\$ 933,935</u>

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, 2014**

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

Net change in fund balances - total governmental funds (page nine)	\$	96,810
Governmental funds report capital outlay as expenditures in the amount of \$389,725; 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 \$239,968. The net adjustment is \$149,757.		149,757
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, 2013, deferred property taxes amounted to \$7,627. The deferred property taxes for the current fiscal year amounted to \$9,478; therefore, the net adjustment is \$1,851.		1,851
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.		246
The issuance of long-term debt provides current resources to the governmental funds; however, it is not recorded as income within statement of activities.		(14,705)
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.		39,845
A 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.		1,503
		<hr style="border-top: 1px solid black;"/>
Change in net position of governmental activities (page six)	\$	<u><u>275,307</u></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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Gross receipts taxes	\$ 210,300	\$ 210,300	\$ 143,987	\$ 31,285	\$ 175,272	\$ (66,313)
Property taxes	12,350	13,414	13,414	(334)	13,080	-
Franchise taxes	24,000	25,660	25,660	21	25,681	-
Public service taxes	9,404	9,657	9,232	(318)	8,914	(425)
Intergovernmental - state	175,800	322,602	326,541	(4,848)	321,693	3,939
Charges for services	4,100	5,311	5,258	-	5,258	(53)
Licenses and permits	2,300	2,490	1,439	-	1,439	(1,051)
Fines and forfeitures	350	609	330	-	330	(279)
Interest	1,000	1,000	932	(29)	903	(68)
Miscellaneous	550	6,073	54	14,146	14,200	(6,019)
<b>Total revenues</b>	<b>440,154</b>	<b>597,116</b>	<b>526,847</b>	<b>39,923</b>	<b>566,770</b>	<b>(70,269)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	89,189	120,693	107,988	552	109,738	12,705
Public safety	340,497	342,622	326,108	(8,461)	316,449	16,514
Public works	35,000	35,000	20,696	2,765	23,461	14,304
Culture and recreation	8,700	8,700	3,901	6	3,907	4,799
Capital outlay	10,000	10,000	10,000	14,597	24,597	-
<b>Debt service:</b>						
Principal	-	-	-	3,441	3,441	-
Interest and other charges	-	-	-	172	172	-
<b>Total expenditures</b>	<b>483,386</b>	<b>517,015</b>	<b>468,693</b>	<b>13,072</b>	<b>481,765</b>	<b>48,322</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(43,232)</b>	<b>80,101</b>	<b>58,154</b>	<b>26,851</b>	<b>85,005</b>	<b>(21,947)</b>
<b>Other Financing Sources (Uses):</b>						
Loan proceeds	-	-	-	14,705	14,705	-
Transfers in	-	-	300	2,164	2,464	300
Transfers (out)	(29,000)	(39,000)	(42,631)	(7,448)	(50,079)	(3,631)
<b>Total other financing sources (uses)</b>	<b>(29,000)</b>	<b>(39,000)</b>	<b>(42,331)</b>	<b>9,421</b>	<b>(32,910)</b>	<b>(3,331)</b>
<b>Net change</b>	<b>(72,232)</b>	<b>41,101</b>	<b>15,823</b>	<b>\$ 36,272</b>	<b>\$ 52,095</b>	<b>(25,278)</b>
Cash balance, beginning of year	610,842	610,842	610,842			-
Cash balance, end of year	<u>\$ 538,610</u>	<u>\$ 651,943</u>	<u>\$ 626,665</u>			<u>\$ (25,278)</u>

**Explanation of Differences:**

Change in investments	\$ 4
Change in receivables	39,919
Change in capital outlay	(14,597)
Change in accounts payable	(200)
Change in accrued salaries	1,379
Change in accrued liabilities	(1,325)
Debt service payments	(3,613)
Receipt of loan proceeds	14,705
	<u>\$ 36,272</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, 2014**

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
<b>Assets:</b>				
Current assets:				
Cash	\$ 1,231,995	\$ 100,882	\$ 35,246	\$ 1,368,123
Investments	1,721	-	-	1,721
Receivables, net	47,196	12,261	-	59,457
Total current assets	1,280,912	113,143	35,246	1,429,301
Noncurrent assets:				
Restricted cash	65,149	-	-	65,149
Restricted investments	57,328	-	-	57,328
Capital assets:				
Land	18,790	-	-	18,790
Construction in progress	17,161	-	-	17,161
Buildings	6,164	-	-	6,164
Distribution and collection systems	5,095,516	-	-	5,095,516
Vehicles, equipment and other assets	188,986	-	-	188,986
Less accumulated depreciation	(2,034,438)	-	-	(2,034,438)
Total noncurrent assets	3,414,656	-	-	3,292,179
Total assets	4,695,568	113,143	35,246	4,721,480
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	15,408	8,797	-	24,205
Accrued salaries	4,985	1,720	-	6,705
Accrued payroll taxes	1,934	368	-	2,302
Accrued sales tax	2,441	-	-	2,441
Accrued interest payable	2,890	-	-	2,890
Deposits payable	54,150	-	-	54,150
Current maturities of:				
Bonds payable	1,660	-	-	1,660
Notes payable	703	-	-	703
Compensated absences	5,274	1,473	-	6,747
Total current liabilities	89,445	12,358	-	101,803
Noncurrent liabilities:				
Bonds payable	134,330	-	-	134,330
Notes payable	11,073	-	-	11,073
Compensated absences	2,606	-	-	2,606
Total noncurrent liabilities	148,009	-	-	148,009
Total liabilities	237,454	12,358	-	249,812
<b>Net Position:</b>				
Invested in capital assets	3,144,413	-	-	3,144,413
Restricted:				
Debt service	79,682	-	-	79,682
Unrestricted (deficit)	1,234,019	100,785	35,246	1,370,050
Total net position	\$ 4,458,114	\$ 100,785	\$ 35,246	\$ 4,594,145

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, 2014

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
Operating Revenues:				
Charges for services	\$ 468,246	\$ 125,661	\$ 3,550	\$ 597,457
Operating Expenses:				
Personnel services	174,249	36,373	-	210,622
Utilities	25,710	-	-	25,710
Contractual services	176,461	103,784	-	280,245
Repairs and maintenance	8,413	-	-	8,413
General operating expenses	43,085	-	2,691	45,776
Depreciation	80,139	-	-	80,139
Total operating expenses	<u>508,057</u>	<u>140,157</u>	<u>2,691</u>	<u>650,905</u>
Operating income (loss)	(39,811)	(14,496)	859	(53,448)
Non-Operating Revenues (Expenses):				
Gross receipts taxes	-	4,111	-	4,111
Interest income	637	-	34	671
Interest and other charges	(5,840)	-	-	(5,840)
Total non-operating revenues (expenses)	<u>(5,203)</u>	<u>4,111</u>	<u>34</u>	<u>(1,058)</u>
Income (loss) before capital contributions and transfers	(45,014)	(10,385)	893	(54,506)
Capital Contributions and Transfers:				
Capital contributions	456,126	-	-	456,126
Transfers in	7,448	-	-	7,448
Transfers (out)	(2,164)	-	(300)	(2,464)
Total capital contributions and transfers	<u>461,410</u>	<u>-</u>	<u>(300)</u>	<u>461,110</u>
Change in net position	416,396	(10,385)	593	406,604
Net position, beginning of year	3,969,315	111,170	34,653	4,115,138
Restatement	<u>72,403</u>	<u>-</u>	<u>-</u>	<u>72,403</u>
Net position, beginning of year	<u>4,041,718</u>	<u>111,170</u>	<u>34,653</u>	<u>4,187,541</u>
Net position, end of year	<u>\$ 4,458,114</u>	<u>\$ 100,785</u>	<u>\$ 35,246</u>	<u>\$ 4,594,145</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, 2014**

	Joint Utility Enterprise Fund	Solid Waste Fund	Non-Major Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 470,575	\$ 125,736	\$ 3,550	\$ 599,861
Cash payments to suppliers for goods and services	(257,324)	(99,258)	(2,691)	(359,273)
Cash payments to employees for services	(176,212)	(37,191)	-	(213,403)
Net cash provided (used) by operating activities	37,039	(10,713)	859	27,185
<b>Cash Flows From Non-Capital and Related Financing Activities:</b>				
Cash received from intergovernmental grants	464,004	-	-	464,004
Cash received from gross receipts taxes	-	3,551	-	3,551
Cash received from customer deposits	1,621	-	-	1,621
Transfers (out)	-	-	(300)	(300)
Net cash provided (used) by non-capital and related financing activities	465,625	3,551	(300)	468,876
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(464,004)	-	-	(464,004)
Cash transferred to debt reserves	5,713	-	-	5,713
Principal payment on capital debt	(2,316)	-	-	(2,316)
Interest paid	(5,848)	-	-	(5,848)
Net cash (used) by non-capital and related financing activities	(466,455)	-	-	(466,455)
<b>Cash Flows From Investing Activities:</b>				
Interest income	637	-	34	671
Net increase (decrease) in cash	36,846	(7,162)	593	30,277
Cash and cash equivalents, beginning of year	1,260,298	108,044	34,653	1,402,995
Cash and cash equivalents, end of year	<u>\$ 1,297,144</u>	<u>\$ 100,882</u>	<u>\$ 35,246</u>	<u>\$ 1,433,272</u>
<b>Displayed as:</b>				
Cash	\$ 1,231,995	\$ 100,882	\$ 35,246	\$ 1,368,123
Restricted cash	65,149	-	-	65,149
	<u>\$ 1,297,144</u>	<u>\$ 100,882</u>	<u>\$ 35,246</u>	<u>\$ 1,433,272</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (39,811)	\$ (14,496)	\$ 859	\$ (53,448)
Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation	80,139	-	-	80,139
Changes in Assets and Liabilities:				
Decrease in accounts receivable	2,265	75	-	2,340
Decrease in intergovernmental receivable	7,878	-	-	7,878
Increase (decrease) in accounts payable	(9,481)	4,526	-	(4,955)
(Decrease) in accrued salaries	(545)	(380)	-	(925)
(Decrease) in accrued liabilities	(1,580)	(133)	-	(1,713)
(Decrease) in compensated absences	(1,826)	(305)	-	(2,131)
Total adjustments	76,850	3,783	-	80,633
Net cash provided (used) by operating activities	<u>\$ 37,039</u>	<u>\$ (10,713)</u>	<u>\$ 859</u>	<u>\$ 27,185</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, 2014

**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).

**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, 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 upon the application of these criteria, there are no component units of the Town. The Town is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2014.



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

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, 2014

**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.

In addition to assets, the statement of financial position will, at times, report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenue) until that time.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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 *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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The Town maintains six other governmental funds that are considered nonmajor funds and classified as 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.

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 *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 *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 Town reports the following major business-type funds:

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

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.

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 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgets (continued)

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.

E. Assets, Liabilities, and Net Assets or Equity

**5. 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.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**5. Interfund Activity (continued)**

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.

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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**7. Compensated Absences (continued)**

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.

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 31<sup>st</sup> 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 31<sup>st</sup> 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 Inflows of Resources**

Deferred inflow of resources represents the acquisition of net position, or fund balance that is applicable to a future reporting period. Currently, The Town reports deferred inflows of resources with the fund financial statements as detailed below:

*Fund Financial Statements* - Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as deferred revenues if they are not available in the current period, which the Town has established as sixty days after year end.



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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. 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 position is categorized as follows:

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

*Restricted net position* – This category reflects the portion of net position that has third party limitations on their use.

*Unrestricted net position* – This category reflects net position 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**12. Fund Equity (continued)**

*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.

*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, 2014

**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, 2014, 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, 2014**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

	Financial Institution Balance	Reconciling Items	Reconciled Balance
Cash on hand	\$ -	\$ 2,600	\$ 2,600
AmBank	2,282,037	(12,709)	2,269,328
Total cash deposits	<u>\$ 2,282,037</u>	<u>\$ (10,109)</u>	<u>\$ 2,271,928</u>

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

Statement of Net Position:	
Cash	\$ 2,206,191
Restricted cash	<u>65,737</u>
Total cash reported on financial statements	<u>\$ 2,271,928</u>

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

Purpose	Amount
Customer meter deposits	\$ 42,795
Bond ordinance reserves	22,354
Bond deposits	<u>588</u>
Total	<u>\$ 65,737</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, 2014**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

	AmBank
Total deposit in bank	\$ 2,282,037
Less FDIC insurance	(500,000)
Uninsured public funds	1,782,037
Pledged collateral held by pledging bank's agent, but not in the Town's name	2,540,000
Uninsured and uncollateralized public funds	\$ -
Total pledged collateral	\$ 2,540,000
50% pledged collateral requirement per state statute	(891,019)
Over (under) collateralization	\$ 1,648,981

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, 2014, \$1,782,037 of the Town's bank balance of \$2,282,037 was exposed to custodial credit risk as follows:

	AmBank
Uninsured and collateral held by agent, not in Town's name	\$ 1,782,037

**3. INVESTMENTS**

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

Statement of Net Position:	
Investments	\$ 4,533
Restricted investments	117,514
	\$ 122,047

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014, the restricted investments are composed of the following:

Program funds	\$ 57,328
Debt service	60,186
	\$ 117,514

*Cash Deposited With the New Mexico State Treasurer*

As of June 30, 2014, the combined balance of the Town's investment within the State Treasurer's Office *New MexiGROW* Local Government Investment Pool fund was \$4,533. 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 \$4,533. 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<sub>m</sub> 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 48.6-day WAM at June 30, 2014.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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, 2014, the NMFA has invested the funds held in the debt service, and program funds pools. None of the cash invested can be specifically identified, since the Town's portion is co-mingled with other local governments from the state of New Mexico.

*NMFA – Debt Service Pool*

The Town has \$60,186 invested with the NMFA debt service pool. At June 30, 2014, the pool was composed of short-term, high-credit-quality money market instruments.

*NMFA – Program Funds*

The Town has \$57,328 invested within the NMFA program funds pool. At June 30, 2014, the pool was composed of 74.33% money market funds and 25.67% 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 37-day WAM. The NMFA program funds pool fund weighted average maturity is .032 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, 2014 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Insurance recoveries	\$ 14,146	\$ -
Refunds	300	-
Charges for services	-	73,738
Allowance for doubtful accounts	-	(15,088)
Total	14,446	58,650

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**4. RECEIVABLES, NET (continued)**

	Governmental Activities	Business-Type Activities
Taxes receivable:		
Gross receipts taxes	34,063	807
Franchise taxes	5,741	-
Property taxes	10,065	-
Lodgers' taxes	269	-
Public service taxes	314	-
Allowance for doubtful accounts	(3)	-
Total	50,449	807
Intergovernmental receivables:		
Public works-street improvements	80,055	-
Public safety - ODWI	623	-
Total	80,678	-
Receivables, net	\$ 145,573	\$ 59,457

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 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. Tax notices are sent by the Grant County Treasurer to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> 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. 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 2013, was \$.775 per \$1,000 for non-residential and \$1.321 for residential property. In the year 2013, there was no tax rate established for payment of bonds principal and interest.



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**6. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2014, are as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,248	\$ -	\$ -	\$ 13,248
Construction in progress	-	12,745	-	12,745
Total capital assets, not being depreciated	13,248	12,745	-	25,993
Other capital assets, being depreciated:				
Buildings and improvements	1,438,302	-	-	1,438,302
Infrastructure	9,431,822	352,383	-	9,784,205
Furniture, equipment and vehicles	1,368,970	24,597	-	1,393,567
Total other capital assets, being depreciated	12,239,094	376,980	-	12,616,074
Less accumulated depreciation:				
Buildings and improvements	(693,526)	(17,898)	-	(711,424)
Infrastructure	(1,431,478)	(154,787)	-	(1,586,265)
Furniture, equipment and vehicles	(872,255)	(67,283)	-	(939,538)
Total accumulated depreciation	(2,997,259)	(239,968)	-	(3,237,227)
Other capital assets, net	9,241,835	137,012	-	9,378,847
Total capital assets, net	<u>\$ 9,255,083</u>	<u>\$ 149,757</u>	<u>\$ -</u>	<u>\$ 9,404,840</u>

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

General government	\$ 15,374
Public safety	48,588
Public works	155,587
Culture and recreation	20,419
	<u>\$ 239,968</u>

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**6. CAPITAL ASSETS (continued)**

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,790	\$ -	\$ -	\$ 18,790
Construction in progress	67,578	17,161	(67,578)	17,161
Total capital assets, not being depreciated	86,368	17,161	(67,578)	35,951
Other capital assets, being depreciated:				
Buildings and improvements	6,164	-	-	6,164
Water and sewer utility system	4,571,812	523,704	-	5,095,516
Furniture, equipment and vehicles	188,986	-	-	188,986
Total other capital assets, being depreciated	4,766,962	523,704	-	5,290,666
Less accumulated depreciation:				
Buildings and improvements	(4,129)	(123)	-	(4,252)
Water and sewer utility system	(1,842,550)	(62,565)	-	(1,905,115)
Furniture, equipment and vehicles	(107,620)	(17,451)	-	(125,071)
Total accumulated depreciation	(1,954,299)	(80,139)	-	(2,034,438)
Other capital assets, net	2,812,663	443,565	-	3,256,228
Total capital asset, net	\$ 2,899,031	\$ 460,726	\$ (67,578)	\$ 3,292,179

**7. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2014, are as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14	Amounts Due Within One Year
Notes payable	\$ 166,252	\$ 14,705	\$ (39,845)	\$ 141,112	\$ 41,925
Compensated absences	8,568	9,906	(11,409)	7,065	4,008
	\$ 174,820	\$ 24,611	\$ (51,254)	\$ 148,177	\$ 45,933

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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
2015	\$ 9,830	\$ 434	\$ 10,264
2016	10,024	240	10,264
	<u>\$ 19,854</u>	<u>\$ 674</u>	<u>\$ 20,528</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 \$28,873, 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
2015	\$ 26,480	\$ 1,837	\$ 28,317
2016	27,398	1,475	28,873
2017	27,820	1,053	28,873
2018	28,296	577	28,873
	<u>\$ 109,994</u>	<u>\$ 4,942</u>	<u>\$ 114,936</u>

NMFA Loan No. PP-2954

On September 20, 2013, the Town borrowed \$14,705 from the New Mexico Finance Authority for the purchase of a truck for use by the Town's animal control officer. The loan is to be repaid with the fifth increment of one-fourth (.25%) of municipal gross receipts tax imposed by Ordinance No. 45. The note matures May 1, 2016. The annual payment is approximately \$5,704, and does accrue interest at a blended interest rate of .7839%. 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, 2014**

**7. LONG-TERM OBLIGATIONS (continued)**

*NMFA Loan No. PP-2954 (continued)*

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2015	\$ 5,615	\$ 89	\$ 5,704
2016	5,649	54	5,703
	<u>\$ 11,264</u>	<u>\$ 143</u>	<u>\$ 11,407</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, 2014, are as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Bonds payable	\$ 137,590	\$ -	\$ (1,600)	\$ 135,990	\$ 1,660
Notes payable	12,479	-	(703)	11,776	703
Compensated absences	11,484	14,112	(16,243)	9,353	6,747
	<u>\$ 161,553</u>	<u>\$ 14,112</u>	<u>\$ (18,546)</u>	<u>\$ 157,119</u>	<u>\$ 9,110</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:

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**7. LONG-TERM OBLIGATIONS (continued)**

*Wastewater System Improvement Revenue Bonds, Series 2009 (continued)*

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2015	\$ 1,660	\$ 5,822	\$ 7,482
2016	1,730	5,652	7,382
2017	1,810	5,567	7,377
2018	1,890	5,482	7,372
2019	1,970	5,324	7,294
2020-2024	11,160	26,105	37,265
2025-2029	13,730	23,556	37,286
2030-2034	16,920	20,211	37,131
2035-2039	20,840	16,185	37,025
2040-2044	25,650	12,111	37,761
2045-2049	31,580	7,243	38,823
2050	7,050	300	7,350
	<u>\$ 135,990</u>	<u>\$ 133,558</u>	<u>\$ 269,548</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, 2028. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2015	\$ 330	-	\$ 330
2016	331	-	331
2017	332	-	332
2018	333	-	333
2019	334	-	334
2020-2024	1,681	-	1,681
2025-2028	1,360	-	1,360
	<u>\$ 4,701</u>	<u>\$ -</u>	<u>\$ 4,701</u>

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**7. LONG-TERM OBLIGATIONS (continued)**

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
2015	\$ 373	\$ -	\$ 373
2016	373	-	373
2017	373	-	373
2018	373	-	373
2019	373	-	373
2020-2024	1,865	-	1,865
2025-2029	1,860	-	1,860
2030-2033	1,485	-	1,485
	<u>\$ 7,075</u>	<u>\$ -</u>	<u>\$ 7,075</u>

**8. UNEARNED REVENUES**

The Town has recorded unearned revenues of \$9,478 within the governmental general fund. This amount represents non-current property taxes.

**9. 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:

	General Fund	E Street (Pase II) Fund	Joint Utility Fund	Other Governmental Funds	Total
Transfers (out):					
General Fund	\$ -	\$ 10,000	\$ 7,448	\$ 32,631	\$ 50,079
Joint Utility Fund	2,164	-	-	-	2,164
Other Enterprise Fund	300	-	-	-	300
	<u>\$ 2,464</u>	<u>\$ 10,000</u>	<u>\$ 7,448</u>	<u>\$ 32,631</u>	<u>\$ 52,543</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.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**10. RESTATEMENT OF NET POSITION**

After the fiscal year ended June 30, 2014, the Town determined that changes to the beginning of year net position and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide Business-Type Activities	Proprietary Funds Joint Utility
<b>Government-Wide Financial Statements:</b> The Town thoroughly reviewed the customer water deposit records in the Joint Utility fund. Appropriate adjustments were made to correct individual amounts.	\$ 72,403	\$ 72,403

**11. EXCESS EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended June 30, 2014, the Town incurred expenditures over appropriations of the following amounts and funds:

Fund	Amount
Joint Utility Fund	\$ 434,338

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

**12. 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.

**13. 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, 2014 was \$2,499.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**14. 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.

**15. 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. 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.

**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, 2014**

	Special Revenue Funds						
	Recreation Fund	Lodgers' Tax Fund	Law Enforcement Fund	Corrections Fund	Fire Protection Fund	Emergency Medical Services Fund	Total Other Governmental Funds
<b>Assets</b>							
Assets:							
Cash	\$ 14,965	\$ 16,498	\$ 9,812	\$ 68,877	\$ 49,358	\$ 2,234	\$ 161,744
Receivables, net	-	269	-	-	-	-	269
Restricted:							
Investments	-	-	1,482	588	57,753	-	59,823
Total assets	<u>\$ 14,965</u>	<u>\$ 16,767</u>	<u>\$ 11,294</u>	<u>\$ 69,465</u>	<u>\$ 107,111</u>	<u>\$ 2,234</u>	<u>\$ 221,836</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 3,044	\$ 981	\$ -	\$ 4,025
Accrued salaries	2,928	-	-	-	-	-	2,928
Accrued payroll taxes	106	-	-	-	-	-	106
Deposits payable	-	-	-	588	-	-	588
Total liabilities	3,034	-	-	3,632	981	-	7,647
Fund Balances:							
Restricted for:							
Debt service	-	-	1,482	-	57,753	-	59,235
State mandated per statutes	-	16,767	-	65,833	48,377	384	131,361
Committed for:							
Subsequent years' expenditures	32	-	9,812	-	-	1,850	11,694
Assigned	11,899	-	-	-	-	-	11,899
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>11,931</u>	<u>16,767</u>	<u>11,294</u>	<u>65,833</u>	<u>106,130</u>	<u>2,234</u>	<u>214,189</u>
Total liabilities and fund balances	<u>\$ 14,965</u>	<u>\$ 16,767</u>	<u>\$ 11,294</u>	<u>\$ 69,465</u>	<u>\$ 107,111</u>	<u>\$ 2,234</u>	<u>\$ 221,836</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, 2014**

	Special Revenue Funds						
	Recreation Fund	Lodgers' Tax Fund	Law Enforcement Fund	Corrections Fund	Fire Protection Fund	Emergency Medical Services Fund	Total Other Governmental Funds
Revenues:							
Lodgers' taxes	\$ -	\$ 2,057	\$ -	\$ -	\$ -	\$ -	\$ 2,057
Intergovernmental - state	-	-	21,800	-	67,129	-	88,929
Charges for services	3,072	-	-	-	-	-	3,072
Fines and forfeitures	-	-	-	15,390	-	-	15,390
Interest	-	-	2	68	6	-	76
<b>Total revenues</b>	<b>3,072</b>	<b>2,057</b>	<b>21,802</b>	<b>15,458</b>	<b>67,135</b>	<b>-</b>	<b>109,524</b>
Expenditures:							
Current:							
Public safety	-	-	21,092	3,252	24,326	666	49,336
Culture and recreation	23,486	2,481	-	-	-	-	25,967
Capital outlay	-	-	-	12,745	-	-	12,745
Debt service:							
Principal	-	-	9,674	-	26,730	-	36,404
Interest and other charges	-	-	590	-	1,448	-	2,038
<b>Total expenditures</b>	<b>23,486</b>	<b>2,481</b>	<b>31,356</b>	<b>15,997</b>	<b>52,504</b>	<b>666</b>	<b>126,490</b>
Excess (deficiency) of revenues over expenditures	(20,414)	(424)	(9,554)	(539)	14,631	(666)	(16,966)
Other Financing Sources (Uses):							
Transfers in	31,694	-	74	150	713	-	32,631
Net change in fund balance	11,280	(424)	(9,480)	(389)	15,344	(666)	15,665
Fund balance, beginning of year	651	17,191	20,774	66,222	90,786	2,900	198,524
Fund balance, end of year	<u>\$ 11,931</u>	<u>\$ 16,767</u>	<u>\$ 11,294</u>	<u>\$ 65,833</u>	<u>\$ 106,130</u>	<u>\$ 2,234</u>	<u>\$ 214,189</u>

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, 2014

	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	\$ 2,500	\$ 3,072	\$ 3,072	\$ -	\$ 3,072	\$ -
Expenditures:						
Current:						
Culture and recreation	28,251	28,251	22,642	844	23,486	5,609
Capital outlay	-	-	-	-	-	-
Total expenditures	28,251	28,251	22,642	844	23,486	5,609
(Deficiency) of revenues over expenditures	(25,751)	(25,179)	(19,570)	(844)	(20,414)	5,609
Other Financing Sources (Uses):						
Transfers in	29,000	29,000	31,694	-	31,694	2,694
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	29,000	29,000	31,694	-	31,694	2,694
Net change	3,249	3,821	12,124	<u>(844)</u>	<u>11,280</u>	8,303
Cash balance, beginning of year	2,841	2,841	2,841			-
Cash balance, end of year	<u>\$ 6,090</u>	<u>\$ 6,662</u>	<u>\$ 14,965</u>			<u>\$ 8,303</u>
<b>Explanation of Differences:</b>						
Change in accrued salaries				\$ (1,577)		
Change in payables				733		
				<u>(844)</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, 2014**

	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:						
Lodgers' taxes	\$ 2,400	\$ 2,400	\$ 1,954	\$ 103	\$ 2,057	\$ (446)
Expenditures:						
Current:						
Culture and recreation	-	2,500	2,481	-	2,481	19
Net change	2,400	(100)	(527)	\$ 103	\$ (424)	(427)
Cash balance, beginning of year	17,025	17,025	17,025			-
Cash balance, end of year	\$ 19,425	\$ 16,925	\$ 16,498			\$ (427)
<b>Explanation of Differences:</b>						
Change in receivables				\$ 103		

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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental - state	\$ 21,800	\$ 21,800	\$ 21,800	\$ -	\$ 21,800	\$ -
Interest	-	1,060	-	2	2	(1,060)
Total revenues	21,800	22,860	21,800	2	21,802	(1,060)
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	21,800	21,800	22,415	(1,323)	21,092	9,638
Capital outlay	-	10,253	-	-	-	10,253
<b>Debt service:</b>						
Principal	-	-	-	9,674	9,674	-
Interest and other charges	-	-	-	590	590	-
Total expenditures	21,800	32,053	22,415	8,941	31,356	9,638
(Deficiency) of revenues over expenditures	-	(9,193)	(615)	(8,939)	(9,554)	8,578
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	74	-	74	74
Net change	-	(9,193)	(541)	<u>\$ (8,939)</u>	<u>\$ (9,480)</u>	8,652
Cash balance, beginning of year	10,353	10,353	10,353			-
Cash balance, end of year	<u>\$ 10,353</u>	<u>\$ 1,160</u>	<u>\$ 9,812</u>			<u>\$ 8,652</u>

**Explanation of Differences:**

Change in restricted investments	\$ 2
Change in payables	1,323
Debt service payments	(10,264)
	<u>\$ (8,939)</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, 2014**

	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	\$ 10,325	\$ 18,611	\$ 15,456	\$ (66)	\$ 15,390	\$ (3,155)
Interest	-	-	68	-	68	68
Total revenues	10,325	18,611	15,524	(66)	15,458	(3,087)
Expenditures:						
Current:						
Public safety	3,200	3,464	3,372	(120)	3,252	92
Capital outlay	-	9,800	9,800	2,945	12,745	-
Total expenditures	3,200	13,264	13,172	2,825	15,997	92
Excess (deficiency) of revenues over expenditures	7,125	5,347	2,352	(2,891)	(539)	(2,995)
Other Financing Sources (Uses):						
Transfers in	-	-	150	-	150	150
Net change	7,125	5,347	2,502	<u>\$ (2,891)</u>	<u>\$ (389)</u>	(2,845)
Cash balance, beginning of year	66,375	66,375	66,375			-
Cash balance, end of year	<u>\$ 73,500</u>	<u>\$ 71,722</u>	<u>\$ 68,877</u>			<u>\$ (2,845)</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (66)		
Change in payables				(2,825)		
				<u>\$ (2,891)</u>		

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**FIRE PROTECTION 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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental - state	\$ 38,950	\$ 38,950	\$ 38,950	\$ 28,179	\$ 67,129	\$ -
Interest	-	-	-	6	6	-
Total revenues	38,950	38,950	38,950	28,185	67,135	-
<b>Expenditures:</b>						
Current:						
Public safety	44,328	44,328	23,502	824	24,326	20,826
Capital outlay	1,000	57,746	57,746	(57,746)	-	-
Debt service:						
Principal	-	-	-	26,730	26,730	-
Interest	-	-	-	1,448	1,448	-
Total expenditures	45,328	102,074	81,248	(28,744)	52,504	20,826
Excess (deficiency) of revenues over expenditures	(6,378)	(63,124)	(42,298)	56,923	14,631	20,826
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	713	-	713	713
Net change	(6,378)	(63,124)	(41,585)	\$ 56,923	\$ 15,344	21,539
Cash balance, beginning of year	90,943	90,943	90,943			-
Cash balance, end of year	\$ 84,565	\$ 27,819	\$ 49,358			\$ 21,539
<b>Explanation of Differences:</b>						
Change in restricted investments				\$ 57,746		
Additional fire allotment revenues				28,179		
Change in payables				(824)		
Debt service payments				(28,178)		
				\$ 56,923		

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Expenditures:						
Current:						
Public safety	\$ 2,700	\$ 2,700	\$ 1,379	\$ (713)	\$ 666	\$ 1,321
Net change	(2,700)	(2,700)	1,379	<u>\$ 713</u>	<u>\$ (666)</u>	1,321
Cash balance, beginning of year	<u>3,613</u>	<u>3,613</u>	<u>3,613</u>			<u>-</u>
Cash balance, end of year	<u>\$ 913</u>	<u>\$ 913</u>	<u>\$ 4,992</u>			<u>\$ 1,321</u>
<b>Explanation of Differences:</b>						
Change in payables				<u>\$ 713</u>		

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

**MAJOR CAPITAL PROJECT FUNDS  
BUDGETARY COMPARISON STATEMENT**

**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, 2014**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental - federal	\$ 435,862	\$ 435,862	\$ 272,328	\$ 80,055	\$ 352,383	\$ (163,534)
Intergovernmental - state	1,650,968	1,650,968	30,000	-	30,000	(1,620,968)
Total revenues	2,086,830	2,086,830	302,328	80,055	382,383	\$ (1,784,502)
<b>Expenditures:</b>						
<b>Current:</b>						
Public works	-	-	10,950	-	10,950	(10,950)
Capital outlay	2,086,830	2,086,830	272,328	80,055	352,383	1,814,502
Total expenditures	2,086,830	2,086,830	283,278	80,055	363,333	1,803,552
Excess of revenues over expenditures	-	-	19,050	-	19,050	19,050
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	10,000	-	10,000	10,000
Net change	-	-	29,050	\$ -	\$ 29,050	29,050
Cash balance, beginning of year	20,609	20,609	20,609			-
Cash balance, end of year	\$ 20,609	\$ 20,609	\$ 49,659			\$ 29,050

**Explanation of Differences:**

Change in receivables	\$ 80,055
Change in payables	(80,055)
	\$ -

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

**OTHER ENTERPRISE FUND  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
STATEMENT OF NET POSITION  
CEMETERY FUND  
JUNE 30, 2014

**Assets:**

Current assets:

Cash \$ 35,246

**Net Position:**

Unrestricted 35,246

Total net position \$ 35,246

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, 2014

Operating Revenues:	
Charges for services	\$ 3,550
Operating Expenses:	
General operating expenses	<u>2,691</u>
Operating income	859
Non-Operating Revenues (Expenses):	
Interest income	<u>34</u>
Income before transfers	893
Transfers:	
Transfers (out)	<u>(300)</u>
Change in net position	593
Net position, beginning of year	<u>34,653</u>
Net position, end of year	<u><u>\$ 35,246</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, 2014**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,550
Cash payments to suppliers for goods and services	<u>(2,691)</u>
Net cash provided by operating activities	859
Cash Flows From Non-Capital and Financing Activities:	
Transfers (out)	(300)
Cash Flows From Investing Activities:	
Interest income	<u>34</u>
Net increase in cash	593
Cash and cash equivalents, beginning of year	<u>34,653</u>
Cash and cash equivalents, end of year	<u><u>\$ 35,246</u></u>
Displayed as:	
Cash	<u><u>\$ 35,246</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ 859
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>\$ 859</u></u>

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

**MAJOR ENTERPRISE FUNDS  
BUDGETARY COMPARISON STATEMENTS**

**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**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 476,400	\$ 482,909	\$ 470,575	\$ (2,329)	\$ 468,246	\$ (12,334)
Operating Expenses:						
Personnel services	176,279	176,279	176,212	(1,963)	174,249	67
Utilities	47,262	47,262	24,287	1,423	25,710	22,975
Contractual services	183,000	183,000	179,068	(2,607)	176,461	3,932
Repairs and maintenance	14,750	13,750	8,288	125	8,413	5,462
General operating expenses	49,233	50,233	45,681	(2,596)	43,085	4,552
Depreciation	-	-	-	80,139	80,139	-
Total operating expenses	<u>470,524</u>	<u>470,524</u>	<u>433,536</u>	<u>74,521</u>	<u>508,057</u>	<u>36,988</u>
Operating income (loss)	5,876	12,385	37,039	(76,850)	(39,811)	24,654
Non-Operating Revenues (Expenses):						
Interest income	500	637	637	-	637	-
Capital outlay	(500)	(500)	(464,004)	464,004	-	(463,504)
Debt service - principal	(342)	(342)	(2,316)	2,316	-	(1,974)
Interest and other charges	-	-	(5,848)	8	(5,840)	(5,848)
Total non-operating revenues (expenses)	<u>(342)</u>	<u>(205)</u>	<u>(471,531)</u>	<u>466,328</u>	<u>(5,203)</u>	<u>(471,326)</u>
Income (loss) before other financing sources (uses)	5,534	12,180	(434,492)	389,478	(45,014)	(446,672)
Capital Contributions and Transfers:						
Capital contributions	-	-	464,004	(7,878)	456,126	464,004
Transfers in	-	-	-	7,448	7,448	-
Transfers (out)	(13,161)	(13,161)	-	(2,164)	(2,164)	13,161
Total capital contributions and transfers	<u>(13,161)</u>	<u>(13,161)</u>	<u>464,004</u>	<u>(2,594)</u>	<u>461,410</u>	<u>477,165</u>
Net change	(7,627)	(981)	29,512	<u>\$ 386,884</u>	<u>\$ 416,396</u>	30,493
Cash balance, beginning of year	<u>1,202,483</u>	<u>1,202,483</u>	<u>1,202,483</u>			<u>-</u>
Cash balance, end of year	<u>\$ 1,194,856</u>	<u>\$ 1,201,502</u>	<u>\$ 1,231,995</u>			<u>\$ 30,493</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (2,265)		
Change in intergovernmental receivables				(7,878)		
Additions to capital assets				464,004		
Change in accounts payables				1,603		
Change in accrued salaries				545		
Change in accrued liabilities				(408)		
Change in sales tax payable				(64)		
Change in interest payable				8		
Change in compensated absences				1,826		
Reclassification of principal payments on debt				2,316		
Depreciation expense				(80,139)		
Net change in transfers				5,284		
Crossed fund expenses				2,052		
				<u>\$ 386,884</u>		

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**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 124,500	\$ 124,754	\$ 125,736	\$ (75)	\$ 125,661	\$ 982
Operating Expenses:						
Personnel services	68,460	41,456	37,191	(818)	36,373	4,265
Contractual services	104,000	104,000	99,258	4,526	103,784	4,742
Total operating expenses	172,460	145,456	136,449	3,708	140,157	9,007
Operating (loss)	(47,960)	(20,702)	(10,713)	(3,783)	(14,496)	9,989
Non-Operating Revenues (Expenses):						
Gross receipts taxes	5,000	5,000	3,551	560	4,111	(1,449)
Net change	(42,960)	(15,702)	(7,162)	<u>\$ (3,223)</u>	<u>\$ (10,385)</u>	8,540
Cash balance, beginning of year	108,044	108,044	108,044			-
Cash balance, end of year	<u>\$ 65,084</u>	<u>\$ 92,342</u>	<u>\$ 100,882</u>			<u>\$ 8,540</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 485		
Change in payables				(4,526)		
Change in accrued salaries				380		
Change in accrued liabilities				133		
Change in compensated absences				305		
				<u>\$ (3,223)</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**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	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	\$ 1,600	\$ 3,550	\$ 3,550	\$ -	\$ 3,550	\$ -
Operating Expenses:						
General operating	4,500	4,500	2,691	-	2,691	1,809
Operating income (loss)	(2,900)	(950)	859	-	859	1,809
Non-Operating Revenues (Expenses):						
Interest income	40	40	34	-	34	(6)
Income (loss) before transfers	(2,860)	(910)	893	-	893	1,803
Transfers:						
Transfers (out)	-	-	(300)	-	(300)	(300)
Net change	(2,860)	(910)	593	\$ -	\$ 593	1,503
Cash balance, beginning of year	34,653	34,653	34,653			-
Cash balance, end of year	\$ 31,793	\$ 33,743	\$ 35,246			\$ 1,503

**Explanation of Differences:**  
None.

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, 2014**

<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	\$ 1,796,774	\$ (12,762)	\$ 1,784,012
Town of Hurley - Construction	Checking	43,421	-	43,421
Town of Hurley - Bond Deposits	Checking	588	-	588
Town of Hurley - Water Deposit	Checking	42,742	53	42,795
Town of Hurley - USDA Debt Service	Checking	22,354	-	22,354
Certificate of Deposit	CD	134,284	-	134,284
Certificate of Deposit	CD	22,526	-	22,526
Certificate of Deposit	CD	112,552	-	112,552
Certificate of Deposit	CD	66,763	-	66,763
Certificate of Deposit	CD	28,595	-	28,595
Certificate of Deposit	CD	11,438	-	11,438
Total cash deposits		<u>\$ 2,282,037</u>	<u>\$ (12,709)</u>	<u>\$ 2,269,328</u>



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2014**

AmBank  
P.O. Box 2677  
Silver City, New Mexico 88062

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>
Alamogordo, NM	011446FS5	08/01/19	\$ 200,000
Alamogordo, NM	011464FW9	08/01/15	300,000
Alamogordo, NM	011464FW9	08/01/15	100,000
Lea Cnty N Mex SD	521513AF8	07/15/16	225,000
Los Lunas NM SD	545562QZ6	07/15/25	800,000
Questa NM ISD 009	748352CR0	09/01/18	165,000
Roswell NM IND SC DISTR	778550FP3	08/01/15	200,000
Ruidoso NM MSD	781338GK8	08/01/18	450,000
Ruidoso NM MSD	781338GK8	08/01/18	100,000
			<u>\$ 2,540,000</u>

The holder of the security pledged by AmBank is Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, Texas 75261-9026.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF JOINT POWER AGREEMENT  
JUNE 30, 2014

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, 2014, the governments have expended \$10,794,543 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 \$176,102.
- 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' REPORT**

**Ed Fierro, CPA • Rose Fierro, CPA**527 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 comparison of the general fund of the Town of Hurley (Town) as of and for the year ended June 30, 2014, 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 20, 2014.

**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 listed as items 2012-001, 2012-002, and 2012-003 to be material weaknesses.

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 2012-006 and 2012-008.

### **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 2009-001, 2012-011, 2014-001 and 2014-002.

### **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 20, 2014

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I - FINANCIAL STATEMENTS FINDINGS**

*Item 2012-001 – 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, 2014, 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, 2014**

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-001 – 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 auditor. The Town Clerk has a much better understanding of the financials but still lacks the accounting software to help produce fund accounting. The Town is seeking accounting software at this time. The Town is taking steps to help clear past findings and has a restricted budget. Capital assets were the priority for last year and this year, the Town hopes to make this finding its first priority. Also, the Clerk will continue to get educated in being able to produce the Town's financial statements exclusively.

*Item 2012-002 – 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, 2014

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-002 – 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, 2014

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-002 – 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 auditor. The Town Clerk has a much better understanding of the financials but still lacks the accounting software to help produce fund accounting. The Town is seeking accounting software at this time. The Town is taking steps to help clear past findings and has a restricted budget. Capital assets were the priority for last year and this year, the Town hopes to make this finding its first priority. Also, the Clerk will continue to get educated in being able to produce the Town’s financial statements exclusively.

*Item 2012-003 – Material Weakness – Capital Asset  
Subsidiary Records and Depreciation Expense*

**Statement of Condition** – The Town has maintained a capital asset listing that details 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, and 2) 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.

To address the material weakness, the Town hired a professional appraisal company to inventory and value the capital assets of the Town. The physical inventory has been completed and detail reports, with tag numbers, historic cost values and estimated depreciation have been made available for review. As of June 30, 2014, The Town had not completed its thorough review of the listings necessary prior to acceptance for inclusion in the accounting records. The estimated restatement to the financial statements may be between three and five million dollars.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-003 – Material Weakness – Capital Asset  
Subsidiary Records and Depreciation Expense (continued)*

**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:

- 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-003 – Material Weakness - Capital Asset  
Subsidiary Records and Depreciation Expense (continued)*

**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. The Town must take the time and resources necessary reconcile and understand the detailed capital asset subsidiary records provided by the appraisal company prior to acceptance for inclusion in the accounting records. Further, management should receive the proper training to maintain the subsidiary records in the years to come.

**Views of Responsible Officials and Planned Corrective Actions** – We concur with the recommendation. The Town of Hurley has already taken a big step towards clearing this finding. This fiscal year, the Town of Hurley hired an independent firm to account for all capital assets and has provided the Town with an asset accounting system. The Town employees are now training with this software to help maintain records and provide reports. The Town Clerk will meet with council in the near future to reconcile and understand the detailed capital asset records that was provided by the firm.

*Item 2012-006 – 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, 2014 was \$1,784,012.09 while the general ledger balance was \$1,784,142.25. The difference was \$130.16. It could not be determined what fund contained the error.

**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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-006 – Significant Deficiency – Cash Reconciliation to General Ledger (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – We concur with the recommendation. The Town Clerk will continue to work on cash reconciliation to the general ledger. Again, this finding also goes back to the accounting software issue the Town of Hurley has endured using QuickBooks software.

*Item 2012-008 – 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, 2014, inventories of material and supplies on hand was counted but not valued and reconciled for inclusion in the accounting records.

**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.

Finally, 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** – We concur with the recommendation. The Maintenance Supervisor will be made aware of these internal controls that are necessary to provide accurate inventory, and that the inventory is safeguarded. The Town Clerk will work with the Maintenance Supervisor to develop procedures to correct this finding.

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TOWN OF HURLEY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2009-001 – Compliance - Legal Compliance with Adopted Budget*

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

<u>Fund</u>	<u>Authorized Budget</u>	<u>Actual Amounts Expended</u>	<u>Excess of Approved Budget</u>
Joint Utility	\$ 471,366	\$ 905,704	\$ 434,338

**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 resolutions 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 adjustments should be submitted to the Department of Finance and Administration Local Government Division, if necessary. Finally, budgets for capital projects should be placed in their appropriate funds.

**View of Responsible Officials and Planned Corrective Actions** - The Town of Hurley has always put all monies that are designated to projects in the Capital projects. The Town will now make a change in the budget to designate each grant to the proper fund.

*Item 2012-011 – 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 thirty-six transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were two instances in which partial day was miscalculated. The total amount underpaid to the employees was \$12.

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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-011 – Compliance - Per Diem and Mileage Act (continued)*

**Statement of Condition (continued) –**

- There were three instances in which the travel request form was not completed by the employee. The travel requests totaled \$97.
- There were three instances where the mileage was calculated incorrectly. The total amount underpaid was \$8.64.

**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.

**Cause** – The mileage rate is adjusted periodically. The Town failed to verify the rate adjustment. The remainder of the discrepancies was caused by a lack of thorough review of the travel request prior to payment.

**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 of Hurley reviews the Per Diem and Mileage Act. The findings this year were minimal, but the Town does realize there needs to be extreme alert to the Per Diem and Mileage Act. The Town was not aware the forms need to be filled out entirely, even when the employee was actually traveling. The Town will now have every employee fill out a travel form, no matter if they actually go or per diem. The underpaid employees will also be reimbursed.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2014-001 – Other – Court Fees Collected and Transmittal of Fees*

**Statement of Condition** – During our testing of the Town's correction fines and court fees collected and transmittal of such fees, we discovered that while the Town remitted court fees on a timely basis in May 2014, it failed to recognize that \$32 of cash collected for correction fees, penalties, municipal court automation and judicial education fees was not deposited. The cash was discovered upon inquiry.

**Criteria** - Section 35-14-11 NMSA 1978 states all fees collected shall be transmitted monthly to the state treasurer for credit to municipal court automation fund and the judicial education fund. To safeguard cash collections, the Town must establish formal internal control with written policies and procedures to ensure that all cash collected is 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.

**Effect** – Without proper internal controls over cash collections, errors could occur and not be detected by employees on a timely basis.

**Cause** – The Town did not have a proper administrative procedure to ensure that all cash collected by the police department was deposited by the finance office on a timely basis.

**Recommendation** – We recommend the Town implement the necessary changes to their internal control procedures to ensure all fines and fees collected are appropriately deposited on a timely basis.

**Views of Responsible Officials and Planned Corrective Actions** – We concur with the recommendation. The Town Clerk has set new procedures for the Court Clerk to follow so this incident will not be repeated. The Court Clerk will now provide a monthly report to the Town Clerk from the software used to provide reports to the State. This report will be used to compare to the Court daily deposits. This will provide an accurate account of all payments received by the Court Clerk.

*Item 2014-002 – Other – Unemployment Compensation Law*

**Statement of Condition** – In the reporting of wages to the New Mexico Department of Workforce Solutions for unemployment purposes, the Town included the wages earned by the elected officials of the Town in error.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2014-002 – Other – Unemployment Compensation Law (continued)*

**Criteria** - Section 51-1-44 NMSA 1978 states for the purposes of the Unemployment Compensation Law, “employment” means service performed by an individual in the employ of a governmental entity unless such service is performed by an individual in the exercise of his duties as an elected official.

**Effect** – By including the wages, the Town made unemployment contributions that were not required by law.

**Cause** – The Town was not aware of the provisions of the New Mexico Unemployment Compensation Law.

**Recommendation** – We recommend the Town review and if necessary seek proper guidance concerning the New Mexico Unemployment Law. Where necessary, reports should be amended and refunds requested for amounts that were paid in error.

**Views of Responsible Officials and Planned Corrective Actions** – We concur with the recommendation. The Town Clerk has already made the necessary adjustment in the accounting software so there is no unemployment deducted from elected officials. The Town Clerk will submit an amended report to the state to seek reimbursement paid on the elected officials.

**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 2012-001.

*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 2012-002.

*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; and, 2) may or may not have included 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 2012-003.



**STATE OF NEW MEXICO**  
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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

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

Item 2012-05 – Material Weakness – Annual Inventory of Capital Assets – In the prior fiscal year, the Town failed to perform an annual accurate and complete inventory of capital assets. The Town hired a professional appraisal company to conduct an overall inventory of the capital assets of the Town. The inventory was completed by year end. The finding is considered resolved.

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 2012-006.

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 2012-008.

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. During the year, the Town Clerk reconciled the utility deposit records and made all proper adjustments. The finding is considered resolved.

Item 2009-01 – Compliance – Legal Compliance with Adopted Budget – In the prior year, the Town had two funds that exceeded their respective approved budgets. The finding is not considered resolved and with modifications is repeated in the current year as item 2009-001.

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 has been modified as finding 2012-011.

Item 2012-17 – Compliance – Board of Councilors Official Minutes – In the prior year, the Town had not presented for approval board minutes for two separate meetings. The finding was unique to the prior year and is not repeated in the current year. The finding is considered resolved.

Item 2012-19 – Other Matters – Stale Checks – In the prior year, the Town had seventeen old stale dated checks totaling \$1,470.24 on its outstanding check register. During the fiscal year, the Town Clerk cleared the stale dated checks. The finding is considered resolved.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
EXIT CONFERENCE AND  
PREPARATION OF FINANCIAL STATEMENTS  
JUNE 30, 2014**

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2014, was discussed during the exit conference held on December 1, 2014. Present for the Town was Edward Encinas, mayor; 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, 2014. 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.