

**STATE OF NEW MEXICO
TOWN OF HURLEY**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

STATE OF NEW MEXICO
TOWN OF HURLEY
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TOWN OF HURLEY
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STATE OF NEW MEXICO
TOWN OF HURLEY
Directory of Officials
June 30, 2015

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

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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor
and
Mayor and Board of Councilors
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 comparison for the general fund of Town of Hurley, New Mexico (Town), as of and for the year ended June 30, 2015, 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 enterprise funds and all 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, 2015, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the general fund for year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and enterprise fund as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major enterprise funds and all nonmajor funds for the year 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 schedules 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 schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information for purchases exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 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

December 9, 2015

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash	\$ 924,996	\$ 1,368,824	\$ 2,293,820
Receivables, net	48,887	57,718	106,605
Inventory	-	12,301	12,301
Investments	2,815	1,723	4,538
Restricted cash	1,122	74,942	76,064
Restricted investments	68,976	2,101	71,077
Capital assets:			
Land and construction in progress	85,425	66,455	151,880
Other capital assets, net of depreciation	9,953,829	5,924,097	15,877,926
Total capital assets	10,039,254	5,990,552	16,029,806
Total assets	<u>\$ 11,086,050</u>	<u>\$ 7,508,161</u>	<u>\$ 18,594,211</u>
Liabilities:			
Accounts payable	\$ 16,312	\$ 28,848	\$ 45,160
Accrued salaries	9,865	8,126	17,991
Accrued sales taxes	-	2,545	2,545
Accrued payroll taxes	1,847	1,933	3,780
Accrued interest payable	86	3,034	3,120
Due to others	1,122	59,800	60,922
Long-term liabilities:			
Due within one year	49,196	12,500	61,696
Due in more than one year	59,532	192,939	252,471
Total liabilities	137,960	309,725	447,685
Net Position:			
Net investment in capital assets	9,940,787	5,795,781	15,736,568
Restricted for:			
Debt service	68,976	28,248	97,224
State mandated per statutes	72,820	-	72,820
Unrestricted	865,507	1,374,407	2,239,914
Total net position	10,948,090	7,198,436	18,146,526
Total liabilities and net position	<u>\$ 11,086,050</u>	<u>\$ 7,508,161</u>	<u>\$ 18,594,211</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, 2015**

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
Primary Government:							
Governmental activities:							
General government	\$ 113,954	\$ 9,602	\$ 400,411	\$ -	\$ 296,059	\$ -	\$ 296,059
Public safety	406,019	12,967	92,489	-	(300,563)	-	(300,563)
Public works	304,222	-	-	16,986	(287,236)	-	(287,236)
Culture and recreation	42,898	3,078	-	-	(39,820)	-	(39,820)
Health and welfare	-	-	-	-	-	-	-
Interest on long-term debt	1,195	-	-	-	(1,195)	-	(1,195)
Total governmental activities	868,288	25,647	492,900	16,986	(332,755)	-	(332,755)
Business-type activities:							
Water	304,612	215,774	-	1,171	-	(87,667)	(87,667)
Wastewater	280,801	244,759	-	-	-	(36,042)	(36,042)
Solid waste	143,300	121,427	-	-	-	(21,873)	(21,873)
Cemetery	5,017	2,375	-	-	-	(2,642)	(2,642)
Interest on long-term debt	5,936	-	-	-	-	(5,936)	(5,936)
Total business-type activities	739,666	584,335	-	1,171	-	(154,160)	(154,160)
Total primary government	<u>\$ 1,607,954</u>	<u>\$ 609,982</u>	<u>\$ 492,900</u>	<u>\$ 18,157</u>	(332,755)	(154,160)	(486,915)
General Revenues:							
Sales taxes					175,344	4,083	179,427
Property taxes, levied for general purposes					14,716	-	14,716
Lodgers' taxes					571	-	571
Franchise taxes					25,000	-	25,000
Public service taxes					8,577	-	8,577
Interest income					1,450	712	2,162
Donations					357	-	357
Insurance recoveries					442	-	442
Miscellaneous					6,028	-	6,028
Total general revenues					<u>232,485</u>	<u>4,795</u>	<u>237,280</u>
Changes in net position					(100,270)	(149,365)	(249,635)
Net position, beginning of year					10,199,684	4,594,145	14,793,829
Restatements					848,676	2,753,656	3,602,332
Net position, beginning of year, restated					<u>11,048,360</u>	<u>7,347,801</u>	<u>18,396,161</u>
Net position, end of year					<u>\$ 10,948,090</u>	<u>\$ 7,198,436</u>	<u>\$ 18,146,526</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
TOWN OF HURLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 773,925	\$ 151,071	\$ 924,996
Receivables, net	44,224	4,663	48,887
Investments	2,815	-	2,815
Restricted:			
Cash	-	1,122	1,122
Investments	951	68,025	68,976
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 821,915</u>	<u>\$ 224,881</u>	<u>\$ 1,046,796</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,979	\$ 10,333	\$ 16,312
Accrued salaries	7,926	1,939	9,865
Accrued payroll taxes	1,805	42	1,847
Due to others	-	1,122	1,122
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	15,710	13,436	29,146
Deferred Inflows of Resources:			
Unearned revenues	10,585	-	10,585
Fund Balances:			
Restricted for:			
Debt service	951	68,025	68,976
State mandated per statutes	-	72,820	72,820
Committed for:			
One twelfth budget reserve	40,289	-	40,289
Subsequent years' expenditures	104,192	59,059	163,251
Assigned	-	11,541	11,541
Unassigned	650,188	-	650,188
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	795,620	211,445	1,007,065
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 821,915</u>	<u>\$ 224,881</u>	<u>\$ 1,046,796</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, 2015

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

Total fund balance governmental funds (page six)	\$ 1,007,065
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,039,254
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.	10,585
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.	(108,728)
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>(86)</u>
Net position of governmental activities (page four)	<u><u>\$ 10,948,090</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, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Sales taxes	\$ 175,344	\$ -	\$ 175,344
Property taxes	13,609	-	13,609
Franchise taxes	25,000	-	25,000
Lodgers' taxes	-	571	571
Public service taxes	8,577	-	8,577
Intergovernmental - state	400,411	109,475	509,886
Charges for services	6,169	3,078	9,247
Licenses and permits	3,433	-	3,433
Fines and forfeitures	210	12,757	12,967
Interest	1,369	81	1,450
Miscellaneous	6,827	-	6,827
Total revenues	640,949	125,962	766,911
Expenditures:			
Current:			
General government	109,081	-	109,081
Public safety	289,466	67,980	357,446
Public works	53,505	-	53,505
Culture and recreation	6,069	36,601	42,670
Capital outlay	67,192	19,741	86,933
Debt service:			
Principal	5,615	37,030	42,645
Interest and other charges	88	1,413	1,501
Total expenditures	531,016	162,765	693,781
Excess (deficiency) of revenues over expenditures	109,933	(36,803)	73,130
Other Financing Sources (Uses):			
Transfers in	40,657	25,057	65,714
Transfers out	(25,057)	(40,657)	(65,714)
Total other financing sources (uses)	15,600	(15,600)	-
Net change in fund balances	125,533	(52,403)	73,130
Fund balances, beginning of year	670,087	263,848	933,935
Fund balances, end of year	\$ 795,620	\$ 211,445	\$ 1,007,065

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, 2015

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

Net change in fund balances - total governmental funds (page eight)	\$	73,130
Governmental funds report capital outlay as expenditures in the amount of \$86,933; 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 \$301,195. The net adjustment is (\$214,262).		(214,262)
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, 2014, deferred property taxes amounted to \$9,478. The deferred property taxes for the current fiscal year amounted to \$10,585; therefore, the net adjustment is \$1,107.		1,107
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 decrease of accrued interest liability from the previous year decreases the interest expense within the statement of activities.		306
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.		42,645
An increase 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.		<u>(3,196)</u>
Change in net position of governmental activities (page five)	\$	<u><u>(100,270)</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, 2015**

	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:						
Sales taxes	\$ 122,500	\$ 178,317	\$ 178,287	\$ (2,943)	\$ 175,344	\$ (30)
Property taxes	10,650	13,506	13,506	103	13,609	-
Franchise taxes	24,000	25,404	25,404	(404)	25,000	-
Public service taxes	8,100	9,237	8,811	(234)	8,577	(426)
Intergovernmental - state	258,500	432,670	399,066	1,345	400,411	(33,604)
Charges for services	5,100	7,191	6,169	-	6,169	(1,022)
Licenses and permits	1,650	3,483	3,433	-	3,433	(50)
Fines and forfeitures	300	300	210	-	210	(90)
Interest	800	1,366	1,366	3	1,369	-
Miscellaneous	1,642	17,702	21,273	(14,446)	6,827	3,571
Total revenues	433,242	689,176	657,525	(16,576)	640,949	(31,651)
Expenditures:						
Current:						
General government	124,979	128,659	107,325	1,756	109,081	21,334
Public safety	318,394	324,155	290,504	(1,038)	289,466	33,651
Public works	27,500	56,007	54,755	(1,250)	53,505	1,252
Culture and recreation	10,600	10,573	6,089	(20)	6,069	4,484
Capital outlay	2,000	108,595	67,192	-	67,192	41,403
Debt service:						
Principal	-	-	-	5,615	5,615	-
Interest	-	-	-	88	88	-
Total expenditures	483,473	627,989	525,865	5,151	531,016	102,124
Excess (deficiency) of revenues over expenditures	(50,231)	61,187	131,660	(21,727)	109,933	70,473
Other Financing Sources (Uses):						
Transfers in	-	100,016	40,657	-	40,657	(59,359)
Transfers out	(53,961)	(53,961)	(25,057)	-	(25,057)	28,904
Total other financing sources (uses)	(53,961)	46,055	15,600	-	15,600	(30,455)
Net change in cash balance	(104,192)	107,242	147,260	<u>\$ (21,727)</u>	<u>\$ 125,533</u>	40,018
Cash balance, beginning of year	626,665	626,665	626,665			-
Cash balance, end of year	<u>\$ 522,473</u>	<u>\$ 733,907</u>	<u>\$ 773,925</u>			<u>\$ 40,018</u>

Explanation of Differences:

Change in receivables	\$ (21,025)
Change in accounts payable	116
Change in accrued salaries	(1,275)
Change in accrued payroll taxes	1,561
Change in unearned revenues	(1,107)
Change in investments	3
	<u>\$ (21,727)</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, 2015

	Joint Utility Enterprise Fund	Solid Waste Fund	Other Enterprise Fund	Total
Assets:				
Current assets:				
Cash	\$ 1,241,116	\$ 95,068	\$ 32,640	\$ 1,368,824
Investments	1,723	-	-	1,723
Receivables, net	45,791	11,927	-	57,718
Inventory	12,301	-	-	12,301
Total current assets	1,300,931	106,995	32,640	1,440,566
Noncurrent assets:				
Restricted assets:				
Cash	74,942	-	-	74,942
Investments	2,101	-	-	2,101
Capital assets:				
Land	13,152	-	165	13,317
Construction in progress	53,138	-	-	53,138
Buildings	272,710	-	-	272,710
Improvements	49,115	-	49,339	98,454
Distribution and collection systems	7,089,376	-	-	7,089,376
Vehicles, equipment and other assets	445,077	-	-	445,077
Less accumulated depreciation	(1,932,181)	-	(49,339)	(1,981,520)
Total capital assets, net	5,990,387	-	165	5,990,552
Total non-current assets	6,067,430	-	165	6,067,595
Total assets	<u>\$ 7,368,361</u>	<u>\$ 106,995</u>	<u>\$ 32,805</u>	<u>\$ 7,508,161</u>
Liabilities and Net Position:				
Current liabilities:				
Accounts payable	\$ 16,452	\$ 12,396	\$ -	\$ 28,848
Accrued salaries	6,990	1,136	-	8,126
Accrued sales taxes	2,545	-	-	2,545
Accrued payroll taxes	1,611	322	-	1,933
Accrued interest payable	3,034	-	-	3,034
Due to others	59,800	-	-	59,800
Current maturities of liabilities:				
Bonds payable	1,730	-	-	1,730
Notes payable	3,303	-	-	3,303
Compensated absences	6,618	849	-	7,467
Total current liabilities	102,083	14,703	-	116,786
Noncurrent liabilities:				
Bonds payable	132,600	-	-	132,600
Notes payable	57,138	-	-	57,138
Compensated absences	3,201	-	-	3,201
Total noncurrent liabilities	192,939	-	-	192,939
Total liabilities	295,022	14,703	-	309,725
Net Position:				
Net investment in capital assets	5,795,616	-	165	5,795,781
Restricted for debt service	28,248	-	-	28,248
Unrestricted	1,249,475	92,292	32,640	1,374,407
Total net position	7,073,339	92,292	32,805	7,198,436
Total liabilities and net position	<u>\$ 7,368,361</u>	<u>\$ 106,995</u>	<u>\$ 32,805</u>	<u>\$ 7,508,161</u>

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, 2015

	Joint Utility Enterprise Fund	Solid Waste Fund	Other Enterprise funds	Total
Operating Revenues:				
Charges for services	\$ 460,533	\$ 121,427	\$ 2,375	\$ 584,335
Operating Expenses:				
Personnel services	196,152	39,041	-	235,193
Utilities	26,936	-	-	26,936
Contractual services	147,169	104,259	-	251,428
Repairs and maintenance	9,886	-	-	9,886
General operating	42,001	-	5,017	47,018
Depreciation	163,269	-	-	163,269
Total operating expenses	585,413	143,300	5,017	733,730
Operating (loss)	(124,880)	(21,873)	(2,642)	(149,395)
Non-Operating Revenues (Expenses):				
Sales taxes	-	4,083	-	4,083
Interest income	676	-	36	712
Interest expense	(5,936)	-	-	(5,936)
Total non-operating revenues (expenses)	(5,260)	4,083	36	(1,141)
(Loss) before capital contributions and transfers	(130,140)	(17,790)	(2,606)	(150,536)
Capital Contributions and Transfers:				
Capital contributions	1,171	-	-	1,171
Transfers in	2,906	9,297	-	12,203
Transfers out	(12,203)	-	-	(12,203)
Total capital contributions and transfers	(8,126)	9,297	-	1,171
Change in net position	(138,266)	(8,493)	(2,606)	(149,365)
Net position, beginning of year	4,458,114	100,785	35,246	4,594,145
Restatement	2,753,491	-	165	2,753,656
Net position, beginning of year, restated	7,211,605	100,785	35,411	7,347,801
Net position, end of year	\$ 7,073,339	\$ 92,292	\$ 32,805	\$ 7,198,436

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, 2015**

	Joint Utility Enterprise Fund	Solid Waste Fund	Other Enterprise Fund	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 463,213	\$ 121,559	\$ 2,375	\$ 587,147
Cash payments to suppliers for goods and services	(226,734)	(100,660)	(5,017)	(332,411)
Cash payments to employees for services	(192,531)	(40,295)	-	(232,826)
Net cash provided (used) by operating activities	43,948	(19,396)	(2,642)	21,910
Cash Flows From Non-Capital and Related Financing Activities:				
Cash received from sales taxes	-	4,285	-	4,285
Cash received from customer deposits	5,650	-	-	5,650
Transfers	(9,297)	9,297	-	-
Net cash provided (used) by non-capital and related financing activities	(3,647)	13,582	-	9,935
Cash Flows From Capital and Related Financing Activities:				
Loan proceeds	51,967	-	-	51,967
Acquisition of capital assets	(63,274)	-	-	(63,274)
Principal payment on capital debt	(4,974)	-	-	(4,974)
Interest paid	(5,780)	-	-	(5,780)
Net cash (used) by capital and related financing activities	(22,061)	-	-	(22,061)
Cash Flows From Investing Activities:				
Interest income	674	-	36	710
Net increase (decrease) in cash	18,914	(5,814)	(2,606)	10,494
Cash and cash equivalents, beginning of year	1,297,144	100,882	35,246	1,433,272
Cash and cash equivalents, end of year	<u>\$ 1,316,058</u>	<u>\$ 95,068</u>	<u>\$ 32,640</u>	<u>\$ 1,443,766</u>
Displayed as:				
Cash	\$ 1,241,116	\$ 95,068	\$ 32,640	\$ 1,368,824
Restricted cash	74,942	-	-	74,942
	<u>\$ 1,316,058</u>	<u>\$ 95,068</u>	<u>\$ 32,640</u>	<u>\$ 1,443,766</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:				
Operating (loss)	\$ (124,880)	\$ (21,873)	\$ (2,642)	\$ (149,395)
Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation	163,269	-	-	163,269
Bad debts	163	(3)	-	160
Changes in Assets and Liabilities:				
Increase in accounts receivable	2,413	135	-	2,548
Decrease in inventory	(615)	-	-	(615)
Increase (decrease) in accounts payable	(127)	3,599	-	3,472
Increase (Decrease) in accrued salaries	2,005	(584)	-	1,421
Increase in accrued sales taxes	104	-	-	104
(Decrease) in accrued payroll taxes	(323)	(46)	-	(369)
Increase (Decrease) in compensated absences	1,939	(624)	-	1,315
Total adjustments	168,828	2,477	-	171,305
Net cash provided (used) by operating activities	<u>\$ 43,948</u>	<u>\$ (19,396)</u>	<u>\$ (2,642)</u>	<u>\$ 21,910</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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hurley, New Mexico (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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, 2015.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

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 debt 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 governmental 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, 2015

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 activities (by category). 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, includes 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, 2015

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 total net position. 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 activities 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 fund:

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Town maintains seven other individual governmental funds that are considered nonmajor funds; six are classified as special revenue funds; one is classified as capital projects fund. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

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 Town 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 Town 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 Town 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 *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 Town 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 *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 Town 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 *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 authority for the fund is given by Section 7-12-15 NMSA 1978.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Project Fund

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

The Town reports the following major business-type funds:

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

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 Town ordinance authorized by Section 3-40-1, NMSA 1978.

D. Budgets

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

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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 legally restricted and is, therefore, presented as a reserved portion of fund balance.

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

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Investments in the Town's cash and certificates of deposit are stated at cost, which approximates fair value. State statutes authorize the Town to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investment pool. Cash and certificates of deposit are reported at book 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. Inventories

Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased, therefore, the inventory amount is not available for appropriation.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. 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.

5. 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.

6. Interfund Activity

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

7. 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.

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Compensated Absences

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

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

All employees may take accrued vacation within their anniversary year. Employees may carry over to the next calendar year a total balance of 144 vacation hours. Vacation leave balances in excess of 144 vacation hours as of December 31st of each year, may be forfeited without pay. In the instance of approved accrued vacation balances carried over to the following year, all balances (of the past and current year) in excess of 144 hours of vacation hours as of December 31st of that year may be forfeited without pay. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources.

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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Deferred Inflows of Resources

Deferred outflows of resources represent consumption of resources of net assets that are applicable to future reporting periods that are reported in a separate section after assets in the statement of financial position.

Deferred inflows of resources represent acquisition of net assets by the Town that are applicable to a future reporting period. The deferred inflows are reported in the separate section after liabilities in the statement of financial position.

10. Short-Term Obligations

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

11. 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 position. Bond premiums and discounts 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.

12. 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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

13. Fund Equity Reservation and Designations

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

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

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

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 councilors - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of councilors 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 councilors has 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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

As of June 30, 2015, the amount of cash reported on the financial statements differs from the amount on deposit with the one financial institution because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Financial Institution Balance	Reconciling Items	Reconciled Balance
Cash on hand	\$ -	\$ 2,600	\$ 2,600
First American Bank	2,294,399	(3,179)	2,291,220
Total cash deposits	<u>\$ 2,294,399</u>	<u>\$ (579)</u>	<u>\$ 2,293,820</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.

	First American Bank
Total deposit in bank	\$ 2,370,796
Less FDIC insurance	<u>(500,000)</u>
Uninsured public funds	1,870,796
Pledged collateral held by pledging bank's agent, but not in the Town's name	<u>2,649,404</u>
Uninsured and uncollateralized public funds	<u>\$ -</u>
Total pledged collateral	\$ 2,649,404
50% pledged collateral requirement per state statute	<u>(935,398)</u>
Over (under) collateralization	<u>\$ 1,714,006</u>

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

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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, 2015, \$1,870,796 of the Town’s bank balance of \$2,370,796 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by pledging bank's trust department or an agent not in the Town's name	\$ 1,870,796

3. RESTRICTED ASSETS

The Town has restricted cash and investments for particular purposes. A description of the assets restricted, and the purpose of the restriction is described as:

	Governmental Activities	Business-Type Activities
Statement of Net Position:		
Restricted cash	\$ 1,122	\$ 74,942
Restricted investments	68,976	2,101
	\$ 70,098	\$ 77,043
Purpose of the Restriction:		
Court ordered bonds	\$ 1,122	\$ -
Program funds	-	2,101
Meter deposits	-	48,795
Debt reserves	-	26,147
Debt service	68,976	-
	\$ 70,098	\$ 77,043

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, 2015, 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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3. RESTRICTED ASSETS (continued)

NMFA – Debt Service Pool

The Town has \$68,976 invested with the NMFA debt service pool. At June 30, 2015, the pool was composed of short-term, high-credit-quality money market instruments.

NMFA – Program Funds

The Town has \$2,101 invested within the NMFA program funds pool. At June 30, 2015, the pool was composed of 27.79% money market funds and 72.21% U.S. Treasury Notes.

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 1.812 years or 661 days. The NMFA program funds pool fund weighted average maturity is .367 years or 134 days.

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. INVESTMENTS

Cash Deposited With the New Mexico State Treasurer

As of June 30, 2015, the combined balance of the Town's investment within the State Treasurer's Office *New MexiGROW* Local Government Investment Pool fund was \$4,538. 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 \$4,538. The investments are valued at fair value based on quoted market prices as of the valuation date. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standard and Poor's.

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. INVESTMENTS (continued)

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 54.6-day WAM at June 30, 2015.

5. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2015 consisted of the following:

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
Accounts receivable	\$ 150	\$ -
Charges for services	-	71,190
Allowance for doubtful accounts	-	(15,248)
	<u> </u>	<u> </u>
Total	<u>\$ 150</u>	<u>\$ 55,942</u>
Taxes receivable:		
Sales receipts taxes	\$ 25,417	\$ 605
Franchise taxes	5,337	-
Property taxes	11,284	-
Public service taxes	80	-
Allowance for doubtful accounts	(12)	-
	<u> </u>	<u> </u>
Total	<u>\$ 42,106</u>	<u>\$ 605</u>
Intergovernmental receivables:		
Public works - lighting improvements	\$ 4,663	\$ -
Public safety - Operation DWI	1,391	-
Colonias - water system improvements	-	1,171
General government - court automation	577	-
	<u> </u>	<u> </u>
Total	<u>\$ 6,631</u>	<u>\$ 1,171</u>

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

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. PROPERTY TAX

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. 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 2014, was \$.788 per \$1,000 for non-residential and \$1.310 for residential property. In the year 2014, there was no tax rate established for payment of bonds principal and interest.

7. CAPITAL ASSETS

During the fiscal year, the Town performed an intensive inventory and review of its capital assets and the subsidiary records. The Town discovered errors in the amounts reported at June 30, 2014, within the governmental capital assets. The effect of the changes is as follows:

	Balance 06/30/14	Restatements	Restated Balance 06/30/14
Governmental Activities:			
Capital assets, not being depreciated:			
Land	\$ 13,248	\$ (12,001)	\$ 1,247
Construction in progress	12,745	-	12,745
Total capital assets, not being depreciated	25,993	(12,001)	13,992
Other capital assets, being depreciated:			
Buildings	1,438,302	(46,839)	1,391,463
Improvements	-	727,666	727,666
Infrastructure	9,784,205	830,313	10,614,518
Furniture, equipment and vehicles	1,393,567	(330,238)	1,063,329
Total other capital assets, being depreciated	12,616,074	1,180,902	13,796,976

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. CAPITAL ASSETS (continued)

	Balance 06/30/14	Increases	Restated Balance 06/30/14
Less accumulated depreciation:			
Buildings	(711,424)	312,473	(398,951)
Improvements	-	(348,250)	(348,250)
Infrastructure	(1,586,265)	(530,693)	(2,116,958)
Furniture, equipment and vehicles	(939,538)	246,245	(693,293)
Total accumulated depreciation	<u>(3,237,227)</u>	<u>(320,225)</u>	<u>(3,557,452)</u>
Other capital assets, net	<u>9,378,847</u>	<u>860,677</u>	<u>10,239,524</u>
Total capital assets, net	<u>\$ 9,404,840</u>	<u>\$ 848,676</u>	<u>\$ 10,253,516</u>

Capital assets for the fiscal year ended June 30, 2015, are as follows:

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,247	\$ -	\$ -	\$ 1,247
Construction in progress	12,745	84,178	(12,745)	84,178
Total capital assets, not being depreciated	13,992	84,178	(12,745)	85,425
Other capital assets, being depreciated:				
Buildings	1,391,463	-	-	1,391,463
Improvements	727,666	15,500	-	743,166
Infrastructure	10,614,518	-	-	10,614,518
Furniture, equipment and vehicles	1,063,329	-	-	1,063,329
Total other capital assets, being depreciated	13,796,976	15,500	-	13,812,476
Less accumulated depreciation:				
Buildings	(398,951)	(27,551)	-	(426,502)
Improvements	(348,250)	(28,803)	-	(377,053)
Infrastructure	(2,116,958)	(195,073)	-	(2,312,031)
Furniture, equipment and vehicles	(693,293)	(49,768)	-	(743,061)
Total accumulated depreciation	<u>(3,557,452)</u>	<u>(301,195)</u>	<u>-</u>	<u>(3,858,647)</u>
Other capital assets, net	<u>10,239,524</u>	<u>(285,695)</u>	<u>-</u>	<u>9,953,829</u>
Total capital assets, net	<u>\$ 10,253,516</u>	<u>\$ (201,517)</u>	<u>\$ (12,745)</u>	<u>\$ 10,039,254</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. CAPITAL ASSETS (continued)

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

General government	\$	3,231
Public safety		47,019
Public works		250,717
Culture and recreation		228
	<u>\$</u>	<u>301,195</u>

During the fiscal year, the Town performed an intensive inventory and review of its capital assets and the subsidiary records. The Town discovered errors in the amounts reported at June 30, 2014, within the business-type capital assets. The effect of the changes is as follows:

	Balance 06/30/14	Restatements	Restated Balance 06/30/14
Business-Type Activities:			
Capital assets, not being depreciated:			
Land	\$ 18,790	\$ (5,473)	\$ 13,317
Construction in progress	17,161	-	17,161
Total capital assets, not being depreciated	35,951	(5,473)	30,478
Other capital assets, being depreciated:			
Buildings	6,164	266,546	272,710
Improvements	-	98,454	98,454
Water and sewer utility system	5,095,516	1,910,165	7,005,681
Furniture, equipment and vehicles	188,986	256,091	445,077
Total other capital assets, being depreciated	5,290,666	2,531,256	7,821,922
Less accumulated depreciation:			
Buildings	(4,252)	(77,300)	(81,552)
Improvements	-	(79,108)	(79,108)
Water and sewer utility system	(1,905,115)	551,438	(1,353,677)
Furniture, equipment and vehicles	(125,071)	(178,843)	(303,914)
Total accumulated depreciation	(2,034,438)	216,187	(1,818,251)
Other capital assets, net	3,256,228	2,747,443	6,003,671
Total capital asset, net	<u>\$ 3,292,179</u>	<u>\$ 2,741,970</u>	<u>\$ 6,034,149</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. CAPITAL ASSETS (continued)

	Restated Balance 06/30/14	Increases	Decreases	Balance 06/30/15
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,317	\$ -	\$ -	\$ 13,317
Construction in progress	17,161	53,138	(17,161)	53,138
Total capital assets, not being depreciated	30,478	53,138	(17,161)	66,455
Other capital assets, being depreciated:				
Buildings	272,710	-	-	272,710
Improvements	98,454	-	-	98,454
Water and sewer utility system	7,005,681	83,695	-	7,089,376
Furniture, equipment and vehicles	445,077	-	-	445,077
Total other capital assets, being depreciated	7,821,922	83,695	-	7,905,617
Less accumulated depreciation:				
Buildings	(81,552)	(5,454)	-	(87,006)
Improvements	(79,108)	(2,071)	-	(81,179)
Water and sewer utility system	(1,353,677)	(129,723)	-	(1,483,400)
Furniture, equipment and vehicles	(303,914)	(26,021)	-	(329,935)
Total accumulated depreciation	(1,818,251)	(163,269)	-	(1,981,520)
Other capital assets, net	6,003,671	(79,574)	-	5,924,097
Total capital assets, net	\$ 6,034,149	\$ (26,436)	\$ (17,161)	\$ 5,990,552

8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2015, are as follows:

	Balance 06/30/14	Increases	Decreases	Balance 06/30/15	Amounts Due Within One Year
Notes payable	\$ 141,112	\$ -	\$ (42,645)	\$ 98,467	\$ 43,039
Compensated absences	7,065	13,374	(10,178)	10,261	6,157
	\$ 148,177	\$ 13,374	\$ (52,823)	\$ 108,728	\$ 49,196

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. 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
2016	\$ 10,024	\$ 240	\$ 10,264

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 \$28,124, 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
2016	\$ 27,366	\$ 730	\$ 28,096
2017	27,583	541	28,124
2018	27,845	306	28,151
	<u>\$ 82,794</u>	<u>\$ 1,577</u>	<u>\$ 84,371</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 \$5,703, and does accrue interest at a blended interest rate of .7839%. The following is a schedule of the annual payments required for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2016	\$ 5,649	\$ 54	\$ 5,703

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

8. LONG-TERM OBLIGATIONS (continued)

NMFA Loan No. PP-2954 (continued)

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, 2015, are as follows:

	Balance 06/30/14	Increases	Decreases	Balance 06/30/15	Amounts Due Within One Year
Business-Type Activities:					
Bonds payable	\$ 135,990	\$ -	\$ (1,660)	\$ 134,330	\$ 1,730
Notes payable	11,776	51,967	(3,302)	60,441	3,303
Compensated absences	9,353	11,051	(9,736)	10,668	7,467
	<u>\$ 157,119</u>	<u>\$ 63,018</u>	<u>\$ (14,698)</u>	<u>\$ 205,439</u>	<u>\$ 12,500</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:

	Principal	Interest	Total
2016	\$ 1,730	\$ 5,709	\$ 7,439
2017	1,810	5,602	7,412
2018	1,890	5,524	7,414
2019	1,970	5,444	7,414
2020	11,160	5,359	16,519
2021-2025	13,730	25,398	39,128
2026-2030	16,920	22,670	39,590
2031-2035	20,840	19,297	40,137
2036-2040	25,650	15,126	40,776
2041-2045	31,580	9,971	41,551
2046-2050	7,050	3,597	10,647
	<u>\$ 134,330</u>	<u>\$ 123,697</u>	<u>\$ 258,027</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. LONG-TERM OBLIGATIONS (continued)

Wastewater System Improvement Revenue Bonds, Series 2009 (continued)

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:

	Principal	Interest	Total
2016	\$ 331	\$ -	\$ 331
2017	332	-	332
2018	333	-	333
2019	334	-	334
2020	1,681	-	1,681
2021-2025	1,360	-	1,360
2026-2030	1,360	-	1,360
	\$ 4,371	\$ -	\$ 4,371

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:

	Principal	Interest	Total
2016	\$ 373	\$ -	\$ 373
2017	373	-	373
2018	373	-	373
2019	373	-	373
2020	373	-	373
2021-2025	1,860	-	1,860
2026-2030	1,860	-	1,860
2031-2033	1,117	-	1,117
	\$ 6,702	\$ -	\$ 6,702

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. LONG-TERM OBLIGATIONS (continued)

NMFA Loan No. CI-2979

On April 18, 2014, the Town borrowed \$51,967 from the New Mexico Finance Authority for improvements to the water system, more specifically described as design of Phase I Regional Water Storage. The loan is to be repaid from net system revenues as defined in the Town resolution no. 23-2013-2014 adopted March 10, 2014. The note matures June 1, 2034. The annual payment is \$2,599, and does not accrue interest. The following is a schedule of the annual payments required for the note:

	Principal	Interest	Total
2016	\$ 2,599	\$ -	\$ 2,599
2017	2,599	-	2,599
2018	2,599	-	2,599
2019	2,599	-	2,599
2020	2,599	-	2,599
2021-2025	12,990	-	12,990
2026-2030	12,990	-	12,990
2031-2034	10,393	-	10,393
	\$ 49,368	\$ -	\$ 49,368

9. UNEARNED REVENUES

The Town has recorded unearned revenues of \$10,585 within the governmental general fund. This amount represents non-current property taxes.

10. 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:

	Transfer-In			
	General Fund	Other Governmental Funds	Joint Utility Fund	Total
Transfers (out):				
General Fund	\$ -	\$ 25,057	\$ -	\$ 25,057
Capital Projects Fund	40,526	-	-	40,526
Other Governmental Funds	131	-	-	131
Solid Waste fund	-	-	9,297	9,297
	\$ 40,657	\$ 25,057	\$ 9,297	\$ 75,011

**STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. INTERFUND TRANSFERS (continued)

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.

11. RESTATEMENT OF NET POSITION

After the fiscal year ended June 30, 2015, the Town determined that changes to the beginning of year net position was necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
The Town thoroughly reviewed the capital assets records owed by the Town. Appropriate adjustments were made to correct the capital assets cost basis and the related accumulated depreciation.	\$	848,676	
<i>Major Fund</i>			
Joint Utility Fund			
The Town thoroughly reviewed the capital assets records owed by the Town. Appropriate adjustments were made to correct the capital assets cost basis and the related accumulated depreciation.		\$ 2,741,805	\$ 2,741,805
The Town performed a thorough count and analysis of the joint utility inventory held at June 30, 2015. Appropriate adjustments were made to adjust inventory balances.		11,686	<u>11,686</u>
Total Joint Utility Fund			<u>\$ 2,753,491</u>
<i>Non-Major Fund</i>			
Cemetery Fund			
The Town thoroughly reviewed the capital assets records owed by the Town. Appropriate adjustments were made to correct the capital assets cost basis.		<u>165</u>	<u>\$ 165</u>
Total Government-Wide Financial Statements	<u>\$ 848,676</u>	<u>\$ 2,753,656</u>	

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2015, the Town incurred expenditures over appropriations of the following amounts and funds:

<u>Fund</u>	<u>Amount</u>
Fire Protection Fund	<u>\$ 13,636</u>

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

13. 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.

14. 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, 2015 was \$5,458.

15. 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.

16. 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.

STATE OF NEW MEXICO
TOWN OF HURLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

17. 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, 2015**

	Special Revenue Funds						Total Special Revenue Funds	Capital Projects Funds	Total Other Governmental Funds
	Corrections Fund	Fire Fund	Emergency Medical Services Fund	Law Enforcement Fund	Lodgers' Tax Fund	Recreation Fund			
Assets									
Assets:									
Cash and cash equivalents	\$ 71,921	\$ 38,605	\$ 1,734	\$ 4,108	\$ 6,916	\$ 18,654	\$ 141,938	\$ 9,133	\$ 151,071
Receivables, net	-	-	-	-	-	-	-	4,663	4,663
Restricted assets:									
Cash	1,122	-	-	-	-	-	1,122	-	1,122
Investments	-	57,761	-	10,264	-	-	68,025	-	68,025
Total assets	<u>\$ 73,043</u>	<u>\$ 96,366</u>	<u>\$ 1,734</u>	<u>\$ 14,372</u>	<u>\$ 6,916</u>	<u>\$ 18,654</u>	<u>\$ 211,085</u>	<u>\$ 13,796</u>	<u>\$ 224,881</u>
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 576	\$ 2,120	\$ -	\$ -	\$ 441	\$ 2,533	\$ 5,670	\$ 4,663	\$ 10,333
Accrued salaries	-	-	-	-	-	1,939	1,939	-	1,939
Accrued payroll taxes	-	-	-	-	-	42	42	-	42
Due to others	1,122	-	-	-	-	-	1,122	-	1,122
Total liabilities	1,698	2,120	-	-	441	4,514	8,773	4,663	13,436
Fund Balances:									
Restricted for:									
Debt service	-	57,761	-	10,264	-	-	68,025	-	68,025
State mandated per statutes	71,345	-	-	-	1,475	-	72,820	-	72,820
Committed for:									
Subsequent years' expenditures	-	36,485	1,734	4,108	5,000	11,732	59,059	-	59,059
Assigned	-	-	-	-	-	2,408	2,408	9,133	11,541
Total fund balances	<u>71,345</u>	<u>94,246</u>	<u>1,734</u>	<u>14,372</u>	<u>6,475</u>	<u>14,140</u>	<u>202,312</u>	<u>9,133</u>	<u>211,445</u>
Total liabilities and fund balances	<u>\$ 73,043</u>	<u>\$ 96,366</u>	<u>\$ 1,734</u>	<u>\$ 14,372</u>	<u>\$ 6,916</u>	<u>\$ 18,654</u>	<u>\$ 211,085</u>	<u>\$ 13,796</u>	<u>\$ 224,881</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, 2015

	Corrections Fund	Fire Fund	Emergency Medical Services Fund	Law Enforcement Fund	Lodgers' Tax Fund	Recreation Fund	Total Special Revenue Funds	Capital Projects Fund	Total Other Governmental Funds
Revenues:									
Lodgers' taxes	\$ -	\$ -	\$ -	\$ -	\$ 571	\$ -	\$ 571	\$ -	\$ 571
Intergovernmental - state	-	70,089	-	22,400	-	-	92,489	16,986	109,475
Charges for services	-	-	-	-	-	3,078	3,078	-	3,078
Fines and forfeitures	12,757	-	-	-	-	-	12,757	-	12,757
Interest	71	8	-	2	-	-	81	-	81
Total revenues	12,828	70,097	-	22,402	571	3,078	108,976	16,986	125,962
Expenditures:									
Current:									
Public safety	4,561	53,803	500	9,116	-	-	67,980	-	67,980
Culture and recreation	-	-	-	-	10,863	25,738	36,601	-	36,601
Capital outlay	2,755	-	-	-	-	-	2,755	16,986	19,741
Debt service:									
Principal	-	27,200	-	9,830	-	-	37,030	-	37,030
Interest and other charges	-	978	-	435	-	-	1,413	-	1,413
Total expenditures	7,316	81,981	500	19,381	10,863	25,738	145,779	16,986	162,765
Excess (deficiency) of revenues over expenditures	5,512	(11,884)	(500)	3,021	(10,292)	(22,660)	(36,803)	-	(36,803)
Other Financing Sources (Uses):									
Transfers in	-	-	-	57	-	25,000	25,057	-	25,057
Transfers out	-	-	-	-	-	(131)	(131)	(40,526)	(40,657)
Total other financing sources and (uses)	-	-	-	57	-	24,869	24,926	(40,526)	(15,600)
Net change in fund balances	5,512	(11,884)	(500)	3,078	(10,292)	2,209	(11,877)	(40,526)	(52,403)
Fund balances, beginning of year	65,833	106,130	2,234	11,294	16,767	11,931	214,189	49,659	263,848
Fund balance, end of year	<u>\$ 71,345</u>	<u>\$ 94,246</u>	<u>\$ 1,734</u>	<u>\$ 14,372</u>	<u>\$ 6,475</u>	<u>\$ 14,140</u>	<u>\$ 202,312</u>	<u>\$ 9,133</u>	<u>\$ 211,445</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
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, 2015

	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	\$ 14,000	\$ 15,093	\$ 14,163	\$ (1,406)	\$ 12,757	\$ (930)
Interest	75	75	71	-	71	(4)
Total revenues	14,075	15,168	14,234	(1,406)	12,828	(934)
Expenditures:						
Current:						
Public safety	10,600	13,350	7,313	(2,752)	4,561	6,037
Capital outlay	-	-	2,755	-	2,755	(2,755)
Total expenditures	10,600	13,350	10,068	(2,752)	7,316	3,282
Net change in cash balance	3,475	1,818	4,166	\$ 1,346	\$ 5,512	2,348
Cash balance, beginning of year	68,877	68,877	68,877			-
Cash balance, end of year	\$ 72,352	\$ 70,695	\$ 73,043			\$ 2,348
Explanation of Differences:						
Change in accounts payable				\$ 2,468		
Change in due to others				(1,122)		
				\$ 1,346		

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

STATE OF NEW MEXICO

TOWN OF HURLEY

FIRE 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, 2015**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental - State	\$ 70,089	\$ 70,089	\$ 41,911	\$ 28,178	\$ 70,089	\$ (28,178)
Interest	-	-	-	8	8	-
Total revenues	<u>70,089</u>	<u>70,089</u>	<u>41,911</u>	<u>28,186</u>	<u>70,097</u>	<u>(28,178)</u>
Expenditures:						
Current:						
Public safety	39,028	39,028	52,664	1,139	53,803	(13,636)
Debt service:						
Principal	-	-	-	27,200	27,200	-
Interest and other charges	-	-	-	978	978	-
Total expenditures	<u>39,028</u>	<u>39,028</u>	<u>52,664</u>	<u>29,317</u>	<u>81,981</u>	<u>(13,636)</u>
Excess (Deficiency) of revenues over expenditures	31,061	31,061	(10,753)	(1,131)	(11,884)	(41,814)
Other Financing Sources (Uses):						
Transfer out	<u>(28,178)</u>	<u>(28,178)</u>	-	-	-	28,178
Net change in cash balance	2,883	2,883	(10,753)	<u>\$ (1,131)</u>	<u>\$ (11,884)</u>	(13,636)
Cash balance, beginning of year	<u>49,358</u>	<u>49,358</u>	<u>49,358</u>			-
Cash balance, end of year	<u>\$ 52,241</u>	<u>\$ 52,241</u>	<u>\$ 38,605</u>			<u>\$ (13,636)</u>
Explanation of Differences:						
Change in accounts payable				\$ (1,139)		
Interest earned in restricted investments				<u>8</u>		
				<u>\$ (1,131)</u>		

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

STATE OF NEW MEXICO
TOWN OF HURLEY
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental - State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:						
Current:						
Public safety	1,850	1,850	500	-	500	1,350
Net change in cash balance	(1,850)	(1,850)	(500)	\$ -	\$ (500)	1,350
Cash balance, beginning of year	2,234	2,234	2,234			-
Cash balance, end of year	\$ 384	\$ 384	\$ 1,734			\$ 1,350

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, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental	\$ 22,400	\$ 22,400	\$ 12,136	\$ 10,264	\$ 22,400	\$ (10,264)
Interest	-	-	-	2	2	-
Miscellaneous	9,713	9,713	-	-	-	(9,713)
Total revenues	32,113	32,113	12,136	10,266	22,402	(19,977)
Expenditures:						
Current:						
Public safety	8,937	7,991	9,116	-	9,116	(1,125)
Capital outlay	12,912	13,858	-	-	-	13,858
Debt service:						
Principal	-	-	-	9,830	9,830	-
Interest	-	-	-	435	435	-
Total expenditures	21,849	21,849	9,116	10,265	19,381	12,733
Excess of revenues over expenditures	10,264	10,264	3,020	1	3,021	(7,244)
Other Financing Sources (Uses):						
Transfers in	-	-	57	-	57	57
Transfers out	(10,264)	(10,264)	-	-	-	10,264
Total other financing sources (uses)	(10,264)	(10,264)	57	-	57	10,321
Net change in cash balance	-	-	3,077	\$ 1	\$ 3,078	3,077
Cash balance, beginning of year	9,812	9,812	9,812			-
Cash transfer to restricted investments	-	-	(8,781)			(8,781)
Cash balance, end of year	\$ 9,812	\$ 9,812	\$ 4,108			\$ (5,704)

Explanation of Differences:

Interest income earned on
restricted investments

\$ 1

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, 2015

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental	\$ 1,800	\$ 1,800	\$ 840	\$ (269)	\$ 571	\$ (960)
Expenditures:						
Current:						
Culture and recreation	<u>-</u>	<u>10,422</u>	<u>10,422</u>	<u>441</u>	<u>10,863</u>	<u>-</u>
Net change in cash balance	1,800	(8,622)	(9,582)	<u>\$ (710)</u>	<u>\$ (10,292)</u>	(960)
Cash balance, beginning of year	<u>16,498</u>	<u>16,498</u>	<u>16,498</u>			<u>-</u>
Cash balance, end of year	<u>\$ 18,298</u>	<u>\$ 7,876</u>	<u>\$ 6,916</u>			<u>\$ (960)</u>
Explanation of Differences:						
Changes in receivables				\$ (269)		
Changes in accounts payable				<u>(441)</u>		
				<u>\$ (710)</u>		

The accompanying notes are an integral part of these financial 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, 2015

	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	\$ 2,000	\$ 3,078	\$ 3,078	\$ -	\$ 3,078	\$ -
Expenditures:						
Current:						
Culture and recreation	27,032	32,532	24,258	1,480	25,738	8,274
(Deficiency) of revenues over expenditures	(25,032)	(29,454)	(21,180)	(1,480)	(22,660)	8,274
Other Financing Sources (Uses):						
Transfers in	25,000	25,000	25,000	-	25,000	-
Transfers out	-	-	(131)	-	(131)	(131)
Total other financing sources (out)	25,000	25,000	24,869	-	24,869	(131)
Net change in cash balance	(32)	(4,454)	3,689	<u>\$ (1,480)</u>	<u>\$ 2,209</u>	8,143
Cash balance, beginning of year	14,965	14,965	14,965			-
Cash balance, end of year	<u>\$ 14,933</u>	<u>\$ 10,511</u>	<u>\$ 18,654</u>			<u>\$ 8,143</u>
Explanation of Differences:						
Change in accounts payable				\$ (2,533)		
Change in accrued salaries				989		
Change in accrued payroll taxes				64		
				<u>\$ (1,480)</u>		

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

**OTHER CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
TOWN OF HURLEY
CAPITAL PROJECTS 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, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental - State	\$ 1,064,917	\$ 1,144,972	\$ 92,378	\$ (75,392)	\$ 16,986	\$ (1,052,594)
Expenditures:						
Capital outlay	1,064,917	1,144,972	92,378	(75,392)	16,986	1,052,594
Excess of revenues over expenditures	-	-	-	-	-	-
Other Financing Sources (Uses):						
Transfers in	22,919	108,692	-	-	-	(108,692)
Transfers out	-	-	(40,526)	-	(40,526)	(40,526)
Total other financing sources (uses)	22,919	108,692	(40,526)		(40,526)	(149,218)
Net change in cash balance	22,919	108,692	(40,526)	\$ -	\$ (40,526)	(149,218)
Cash balance, beginning of year	49,659	49,659	49,659			-
Cash balance, end of year	\$ 72,578	\$ 158,351	\$ 9,133			\$ (149,218)
Explanation of Differences:						
Change in receivables				\$ (75,392)		
Change in payables				75,392		
				\$ -		

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, 2015

Assets:

Current assets:

Cash	\$ 32,640
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Non-current assets:

Capital Assets:

Land	165
Improvements	49,339
Less accumulated depreciation	<u>(49,339)</u>

Total capital assets, net	<u>165</u>
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Total capital assets	<u><u>\$ 32,805</u></u>
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Net Position:

Restricted:

Unrestricted	<u>\$ 32,805</u>
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Total net position	<u><u>\$ 32,805</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TOWN OF HURLEY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
CEMETERY FUND
JUNE 30, 2015

Operating Revenues:	
Charges for services	\$ 2,375
Operating Expenses:	
General operating expenses	<u>5,017</u>
Operating (loss)	(2,642)
Non-Operating Revenues (Expenses):	
Interest income	<u>36</u>
Change in net position	(2,606)
Net position, beginning of year	35,246
Restatement	<u>165</u>
Net position, beginning of year, restated	<u>35,411</u>
Net position, end of year	<u><u>\$ 32,805</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, 2015

Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,375
Cash payments to suppliers for goods and services	<u>(5,017)</u>
Net cash (used) by operating activities	(2,642)
Cash Flows From Investing Activities:	
Interest income	<u>36</u>
Net (decrease) in cash	(2,606)
Cash and cash equivalents, beginning of year	<u>35,246</u>
Cash and cash equivalents, end of year	<u><u>\$ 32,640</u></u>
Displayed as:	
Cash	<u><u>\$ 32,640</u></u>
Reconciliation of Operating (Loss) to Net Cash	
Provided by Operating Activities:	
Operating (loss)	<u><u>\$ (2,642)</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, 2015**

	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	\$ 491,314	\$ 491,839	\$ 468,863	\$ (8,330)	\$ 460,533	\$ (22,976)
Operating Expenses:						
Personnel services	199,243	201,378	192,531	3,621	196,152	8,847
Utilities	27,500	29,648	26,318	618	26,936	3,330
Contractual services	149,400	150,224	147,049	120	147,169	3,175
Repairs and maintenance	19,466	39,214	12,610	(2,724)	9,886	26,604
General operating	35,020	28,616	42,858	(857)	42,001	(14,242)
Depreciation	-	-	-	163,269	163,269	-
Total operating expenses	<u>430,629</u>	<u>449,080</u>	<u>421,366</u>	<u>164,047</u>	<u>585,413</u>	<u>27,714</u>
Operating income (loss)	60,685	42,759	47,497	(172,377)	(124,880)	4,738
Non-Operating Revenues (Expenses):						
Interest income	500	674	674	2	676	-
Capital outlay	(1,500)	(572,830)	(9,206)	9,206	-	563,624
Debt service - principal	(7,122)	(7,122)	(4,974)	4,974	-	2,148
Interest expense and other charges	<u>(4,599)</u>	<u>(3,632)</u>	<u>(5,780)</u>	<u>(156)</u>	<u>(5,936)</u>	<u>(2,148)</u>
Total non-operating revenues (expenses)	(12,721)	(582,910)	(19,286)	14,026	(5,260)	563,624
Capital Contributions and Transfers:						
Capital contributions	-	571,398	-	1,171	1,171	(571,398)
Transfers in	-	-	2,906	-	2,906	2,906
Transfers out	<u>(13,877)</u>	<u>(14,576)</u>	<u>(12,203)</u>	-	<u>(12,203)</u>	<u>2,373</u>
Total transfers	<u>(13,877)</u>	<u>556,822</u>	<u>(9,297)</u>	<u>1,171</u>	<u>(8,126)</u>	<u>(566,119)</u>
Net change in cash balance	34,087	16,671	18,914	<u>\$ (157,180)</u>	<u>\$ (138,266)</u>	2,243
Cash balance, beginning of year	1,231,995	1,231,995	1,231,995			-
Cash transferred to restricted cash and investments	-	-	<u>(9,793)</u>			<u>(9,793)</u>
Cash balance, end of year	<u>\$ 1,266,082</u>	<u>\$ 1,248,666</u>	<u>\$ 1,241,116</u>			<u>\$ (7,550)</u>
Explanation of Differences:						
Change in receivables				\$ (1,242)		
Change in inventory				615		
Additions to capital assets				12,478		
Change in payables				(1,044)		
Change in accrued salaries				(2,005)		
Change in sales tax				(104)		
Change in accrued payroll taxes				323		
Change in accrued interest payable				(144)		
Change in amounts due to others				(5,650)		
Change in compensated absences				(1,939)		
Restricted interest income earned				2		
Payment of long-term debt				4,974		
Payment of debt administrative fee				(12)		
Depreciation expense				(163,269)		
Bad debts expense				(163)		
				<u>\$ (157,180)</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, 2015

	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	\$ 124,500	\$ 121,559	\$ (132)	\$ 121,427	\$ (2,941)
Operating Expenses:						
Personnel services	39,488	39,488	40,295	(1,254)	39,041	(807)
Contractual services	102,000	102,000	100,660	3,599	104,259	1,340
Total operating expenses	141,488	141,488	140,955	2,345	143,300	533
Operating (loss)	(16,988)	(16,988)	(19,396)	(2,477)	(21,873)	(2,408)
Non-Operating Revenues (Expenses):						
Sales taxes	3,000	4,285	4,285	(202)	4,083	-
(Loss) before transfers	(13,988)	(12,703)	(15,111)	(2,679)	(17,790)	(2,408)
Transfers:						
Transfer in	-	-	9,297	-	9,297	9,297
Net change in cash balance	(13,988)	(12,703)	(5,814)	<u>\$ (2,679)</u>	<u>\$ (8,493)</u>	6,889
Cash balance, beginning of year	100,882	100,882	100,882			-
Cash balance, end of year	<u>\$ 86,894</u>	<u>\$ 88,179</u>	<u>\$ 95,068</u>			<u>\$ 6,889</u>
Explanation of Differences:						
Change in receivables				\$ (337)		
Change in payables				(3,599)		
Change in accrued salaries				584		
Change in accrued payroll taxes				46		
Change in compensated absences				624		
Bad debts expense				3		
				<u>\$ (2,679)</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, 2015

	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	\$ 1,500	\$ 2,325	\$ 2,375	\$ -	\$ 2,375	\$ 50
Operating Expenses:						
General operating	4,500	5,017	5,017	-	5,017	-
Operating (loss)	(3,000)	(2,692)	(2,642)	-	(2,642)	50
Non-Operating Revenues (Expenses):						
Interest	40	40	36	-	36	(4)
Miscellaneous revenues	-	100,000	-	-	-	(100,000)
Capital outlay	-	(100,000)	-	-	-	100,000
Total non-operating revenues (expenses)	40	40	36	-	36	(4)
Net change in cash balance	(2,960)	(2,652)	(2,606)	\$ -	\$ (2,606)	46
Cash balance, beginning of year	35,246	35,246	35,246			-
Cash balance, end of year	\$ 32,286	\$ 32,594	\$ 32,640			\$ 46

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

OTHER SCHEDULES REQUIRED BY SECTION 2.2.2 NMAC

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2015

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
First American Bank 300 West Main Street Artesia, New Mexico 88210				
Town of Hurley - General	Checking	\$ 1,913,983	\$ (3,179)	\$ 1,910,804
Town of Hurley - Construction	Checking	2,894	-	2,894
Town of Hurley - Bond	Checking	1,122	-	1,122
Town of Hurley - USDA Debt Service	Checking	26,147	-	26,147
Town of Hurley - Water Deposit	Checking	49,128	(333)	48,795
Certificate of Deposit	CD	28,685	-	28,685
Certificate of Deposit	CD	134,888	-	134,888
Certificate of Deposit	CD	112,905	-	112,905
Certificate of Deposit	CD	11,474	-	11,474
Certificate of Deposit	CD	22,597	-	22,597
Certificate of Deposit	CD	66,973	-	66,973
Total cash deposits		<u>\$ 2,370,796</u>	<u>\$ (3,512)</u>	<u>\$ 2,367,284</u>

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2015

First American Bank
300 West Main Street
Artesia, New Mexico 88210

Security	CUSIP	Maturity	Value
Alamogordo, NM	011446FS5	08/01/19	\$ 219,622
Alamogordo, NM	011464FW9	08/01/15	100,178
Alamogordo, NM	011464FW9	08/01/15	300,534
Lea Cnty N Mex SD	521513AF8	07/15/16	232,571
Los Lunas NM SD	545562QZ6	07/15/25	854,280
Questa NM ISD 009	748352CR0	09/01/18	174,204
Roswell NM IND SC DISTR	778550FP3	08/01/15	200,740
Ruidoso NM MSD	781338GK8	08/01/18	103,141
Ruidoso NM MSD	781338GK8	08/01/18	464,134
			<u>\$ 2,649,404</u>

The holder of the security pledged by First American Bank is Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Suite 100, Irving, Texas 75063-2547.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF JOINT POWER AGREEMENT
JUNE 30, 2015

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, 2015, the governments have expended \$14,411,894 for the construction and upgrades of the new wastewater facility. The governments' desire to make improvements to the discharge for purposes of recycling. The remaining anticipated cost of the improvements is \$185,000.
- F. **Amount contributed in the current fiscal year** – The Town of Hurley contributed \$144,874.
- 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 INFORMATION

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF VENDOR INFORMATION
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015**

RFB# RFP#	Type of Procurement	Awarded Vendor	Amount Awarded Contract	Amount Amended Contract	Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendor(s) that Responded	In-State/ Out of State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-state and Chose Veteran's Preference (Yes or No) for Federal Funds Answer N/A	Brief Description of the Scope of Work
2014-1	RFP	Engineers, Inc.	Fee Schedule	N/A	Engineers, Inc. 3400 Highway 180 East Silver City, NM 88061	Yes	No	General civil engineering support for Town owned and operated projects awarded based on competence, capacity, capability, past performance and familiarity with the Town.
					Wilson & Company 414 Main Street, Ste. A Las Cruces, NM 88001			
HUR1401X	RFP	MWI, Inc.	\$ 135,163	N/A	MWI, Inc. P.O. Box 30670 Albuquerque, NM 87190	Yes	No	Construction of lighting project for Diaz Avenue in Hurley, NM
					RT Electric, Inc. 480 N. 17th Street Las Cruces, NM 88005	Yes	No	
					Bixby Electric, Inc. 521 Wheeler SE Albuquerque, NM 87102	Yes	No	

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Ed Fierro, CPA • Rose Fierro, CPA

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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

Timothy Keller, 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, the 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, 2015, 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 December 9, 2015.

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 and 2012-002 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 deficiency described in the accompanying schedule of findings and responses as item 2012-006 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses listed as items 2009-001.

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

December 9, 2015

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the Town’s administrative staff assisted the auditing firm in gathering some of the necessary information in order to convert 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. Because of the time, effort and priority management placed into reconciling capital assets during the year, very little progress was made towards implementing the prior year corrective action plan related to this repeat finding.

Criteria – Auditing standards adopted in the United States of America in particular AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 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.

AU Section 325 paragraph .05 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph .06 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.”* AU Section 325 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 understand and 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, 2015**

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 AU Section 325, 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 give serious consideration to the employment of a qualified individual to serve in the position of director of finance. This employee should have the ability to prepare governmental 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 – The Town Clerk has a much better understanding of the financial statements but was still limited to producing the financial statements herself. The Town Clerk will move forward immediately in acquiring training for the current staff in financial statements and courses instructing the staff on GAAP in regards to government financial reporting. The Town Clerk did seek new accounting software last year but did not have funds to purchase the software. The Town Clerk feels with actual government accounting software it will enable the Town to be more efficient in reporting as to where QuickBooks does not allow this. The Town Clerk would like to hire a separate accounting firm to help produce these financial statements, but does not have the funds to do so at this time. This is due to the major concern with the water situation and, at this time, all revenues are focused on obtaining their own water source, which has a time limit till 2018. The Town Clerk and Town officials do take this finding very seriously and will do what is possible to have this finding corrected.

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 had numerous posting errors between funds as recorded in the accounting records.

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-002 – Material Weakness – Accounting Activity and Accounting System (continued)

Statement of Condition (continued) -

- The Town uses a separate accounting software program that does not interface with the Town's general ledger for the recording of joint utility and solid waste billings and collections.

The Town is currently using QuickBooks software for its general ledger and accounts payable function, which is not conducive to fund accounting required for governmental accounting and financial reporting. 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 QuickBooks to meet the needs of fund accounting. Because of the time, effort and priority management placed into reconciling capital assets during the year, very little progress was made towards implementing the prior year corrective action plan related to this repeat finding.

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 AU Section 325 Communicating Internal Control Related Matters Identified in an Audit, paragraph .03 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.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-002 – Material Weakness – Accounting Activity and Accounting System (continued)

Effect (continued) – 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.

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.

The Town’s efforts have been placed on correcting its capital assets recording and reporting issues. This precluded the Town from properly addressing the accounting software issues.

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 – The Town Clerk will seek immediate training for the current staff. The Town Clerk is still in search of government fund accounting software. Recently, the Town Clerk and Deputy Clerk received an email from the New Mexico Municipal League about an inexpensive government fund accounting software program to replace QuickBooks software, and also stated there is an individual in the state who offers free training on this software. The Town Clerk is exploring this offer. Again, the Town Clerk and Town officials take the finding very seriously and are working to get the finding cleared.

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.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

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

Statement of Condition - 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, 2015 was \$1,910,804.23 while the general ledger balance was \$1,909,252.71. The difference was \$1,551.52. It could not be determined what fund contained the error. Management did not make progress towards implementing the prior year corrective action plan, related to this repeat finding.

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 management expedite the establishment and maintenance of the appropriate internal controls concerning the reconciliation and recording of cash balances. These procedures must include proper monthly reconciliation of differences between the reconciled bank balances and the Town's general ledger balances. Since the administrative staff is relatively small, it is further recommend that the board request a monthly reconciliation for board review.

Views of Responsible Officials and Planned Corrective Actions – Effective immediately, the Town Clerk will be more conscious about any differences between the general ledger and bank statements. This will be included in the immediate training of the staff that will help eliminate this error in the funds. The problem with QuickBooks is the ability to cross funds without any warning. Again, the Town Clerk is aware that by acquiring new governmental accounting software this will help eliminate the insufficiency. The Town Clerk hopes to acquire new governmental accounting software by this current fiscal year, depending on cost and available funding.

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

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

**STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-001 – Compliance - Legal Compliance with Adopted Budget (continued)

Statement of Condition (continued) -

<u>Fund</u>	<u>Authorized Budget</u>	<u>Actual Amounts Expended</u>	<u>Excess of Approved Budget</u>
Fire Protection Fund	\$ 39,028	\$ 52,664	\$ (13,636)

The prior year corrective action plan for this repeat finding was implemented; however, the corrective action plan was designed to alleviate excess spending beyond approved budget related to capital projects. The current year condition relates to the fire protection fund.

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 – A budget adjustment resolution to account for the spending of carryover fire protection funds was not 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.

View of Responsible Officials and Planned Corrective Actions – This finding was a mishap for the Town of Hurley. The Town Clerk was very consistent in getting budget adjustments approved throughout the fiscal year. This one adjustment was missed because it was mistakenly not placed on one of the four budget adjustment resolutions throughout the fiscal year. The Council and Mayor were aware of the spending in the Fire Protection Fund because the expenditures were approved in meeting at the request of the Fire Chief. Effective immediately, the Town Clerk will be mindful so this does not happen in the future.

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.

STATE OF NEW MEXICO
TOWN OF HURLEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

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

Item 2012-02 – Material Weakness – Accounting Activity and Accounting System - 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. 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 thoroughly reviewed by management. The restatement to the financial statements was presented to the board for review and approval. 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. For the year ended June 30, 2015, the Town utilized a periodic inventory accounting system; inventory was counted and valued. A restatement to the financial statements was prepared and approved by management. The finding is considered resolved.

Item 2009-01 – Compliance – Legal Compliance with Adopted Budget – In the prior year, the Town had one fund that exceeded their respective approved budgets due to the recording of capital projects. 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. During the fiscal year end June 30, 2015, the Town made a consciousness effort to strengthen its travel and per diem review procedures. The finding is considered resolved.

Item 2014-001 – Other – Court Fees Collected and Transmittal of Fees – In the prior year, the Town failed to recognize \$32 of cash collected for correction fees, penalties, municipal court automation and judicial education fees that was not deposited. The cash was discovered upon inquiry. The finding was a unique situation to the prior year. The finding is not repeated in the current audit year ended June 30, 2015 and is considered resolved.

Item 2014-002 – Other – Unemployment Compensation Law - In the prior fiscal year, the Town included the wages earned by elected officials of the Town for New Mexico unemployment purposes. Once the error was discovered and communicated to the Town, they initialed the proper procedures to ensure that these wages would not be included in future reporting. The finding is considered resolved.

STATE OF NEW MEXICO
TOWN OF HURLEY
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2015

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2015, was discussed during the exit conference held on December 14, 2015. Present for the Town was Fernando G. Martinez, mayor; Rudy M. Peña, councilor; and Lori Ortiz, 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, 2015. 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.