

**STATE OF NEW MEXICO  
TOWN OF HURLEY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2016**

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
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**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
Directory of Officials  
June 30, 2016

***ELECTED OFFICIALS***

Fernando G. Martinez ..... Mayor  
Freddie M. Rodriguez..... Mayor Pro-Tem  
Esther Gil ..... Councilor  
Joseph E. Stevens ..... Councilor  
Richard R. Maynes, Jr..... Councilor

***ADMINISTRATION***

Lori Ortiz ..... Town Clerk-Treasurer  
Darlene McBride ..... 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 the Town of Hurley, New Mexico (Town), as of and for the year ended June 30, 2016, 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, nonmajor enterprise, and the budgetary comparisons for the major capital projects and 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, 2016, 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, 2016, 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 and nonmajor enterprise fund of the Town as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects and 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, 2016 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, 2016

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash	\$ 854,870	\$ 1,422,901	\$ 2,277,771
Receivables, net	143,786	57,277	201,063
Inventory	-	3,432	3,432
Investments	2,796	1,711	4,507
Restricted cash	102	81,672	81,774
Restricted investments	96,476	-	96,476
Capital assets:			
Land and construction in progress	117,449	433,565	551,014
Other capital assets, net of depreciation	9,956,415	5,760,373	15,716,788
Total capital assets	10,073,864	6,193,938	16,267,802
Total assets	\$ 11,171,894	\$ 7,760,931	\$ 18,932,825
<b>Liabilities:</b>			
Accounts payable	\$ 109,900	\$ 21,046	\$ 130,946
Accrued salaries	3,141	2,309	5,450
Accrued sales taxes	-	2,421	2,421
Accrued payroll taxes	3,502	2,061	5,563
Accrued interest payable	90	2,995	3,085
Due to others	102	59,300	59,402
Long-term liabilities:			
Due within one year	35,421	8,483	43,904
Due in more than one year	93,822	186,871	280,693
Total liabilities	245,978	285,486	531,464
<b>Net Position:</b>			
Net investment in capital assets	9,951,842	6,004,200	15,956,042
Restricted for:			
Debt service	96,476	32,612	129,088
State mandated per statutes	105,962	-	105,962
Unrestricted	771,636	1,438,633	2,210,269
Total net position	10,925,916	7,475,445	18,401,361
Total liabilities and net position	\$ 11,171,894	\$ 7,760,931	\$ 18,932,825

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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 136,721	\$ 8,400	\$ 190,575	\$ -	\$ 62,254	\$ -	\$ 62,254
Public safety	402,610	34,051	92,468	-	(276,091)	-	(276,091)
Public works	275,885	-	117,940	159,924	1,979	-	1,979
Culture and recreation	22,213	2,655	-	-	(19,558)	-	(19,558)
Interest on long-term debt	1,111	-	-	-	(1,111)	-	(1,111)
Total governmental activities	838,540	45,106	400,983	159,924	(232,527)	-	(232,527)
<b>Business-type activities:</b>							
Water	316,502	223,660	-	407,110	-	314,268	314,268
Wastewater	271,749	244,847	-	-	-	(26,902)	(26,902)
Solid waste	129,798	121,621	-	-	-	(8,177)	(8,177)
Cemetery	4,027	2,800	-	-	-	(1,227)	(1,227)
Interest on long-term debt	5,681	-	-	-	-	(5,681)	(5,681)
Total business-type activities	727,757	592,928	-	407,110	-	272,281	272,281
Total primary government	\$ 1,566,297	\$ 638,034	\$ 400,983	\$ 567,034	(232,527)	272,281	39,754
<b>General Revenues:</b>							
Gross receipts taxes					159,001	3,864	162,865
Property taxes, levied for general purposes					15,204	-	15,204
Franchise taxes					24,736	-	24,736
Public service taxes					8,953	-	8,953
Interest income					2,106	864	2,970
Donations					353	-	353
Total general revenues					210,353	4,728	215,081
Change in net position					(22,174)	277,009	254,835
Net position, beginning of year					10,948,090	7,198,436	18,146,526
Net position, end of year					\$ 10,925,916	\$ 7,475,445	\$ 18,401,361

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, 2016**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 661,107	\$ 12,117	\$ 181,646	\$ 854,870
Receivables, net	44,921	98,858	7	143,786
Investments	2,796	-	-	2,796
Restricted:				
Cash	-	-	102	102
Investments	7	39,933	56,536	96,476
	<u>708,831</u>	<u>150,908</u>	<u>238,291</u>	<u>1,098,030</u>
Total assets	<u>\$ 708,831</u>	<u>\$ 150,908</u>	<u>\$ 238,291</u>	<u>\$ 1,098,030</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,806	\$ 101,241	\$ 4,853	\$ 109,900
Accrued salaries	2,548	-	593	3,141
Accrued payroll taxes	3,049	-	453	3,502
Due to others	-	-	102	102
	<u>9,403</u>	<u>101,241</u>	<u>6,001</u>	<u>116,645</u>
Total liabilities	9,403	101,241	6,001	116,645
Deferred Inflows of Resources:				
Unavailable property taxes	12,336	-	-	12,336
Fund Balances:				
Restricted:				
Debt service	7	39,933	56,536	96,476
State mandated per statutes	-	-	105,962	105,962
One twelfth budget reserve	47,061	-	-	47,061
Committed:				
Subsequent years' expenditures	8,848	-	25,728	34,576
Assigned	-	9,734	44,064	53,798
Unassigned	631,176	-	-	631,176
	<u>687,092</u>	<u>49,667</u>	<u>232,290</u>	<u>969,049</u>
Total fund balances	687,092	49,667	232,290	969,049
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 708,831</u>	<u>\$ 150,908</u>	<u>\$ 238,291</u>	<u>\$ 1,098,030</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, 2016

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

Total fund balance governmental funds (page six)	\$	969,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		10,073,864
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.		12,336
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds.		(129,243)
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>(90)</u>
Net position of governmental activities (page four)	\$	<u><u>10,925,916</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, 2016**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Gross receipts taxes	\$ 159,001	\$ -	\$ -	\$ 159,001
Property taxes	13,453	-	-	13,453
Franchise taxes	24,736	-	-	24,736
Public service taxes	8,953	-	-	8,953
Intergovernmental - State	190,575	277,864	92,468	560,907
Charges for services	6,150	-	2,655	8,805
Licenses and permits	2,250	-	-	2,250
Fines and forfeitures	270	-	33,781	34,051
Interest	1,839	-	267	2,106
Miscellaneous	353	-	-	353
<b>Total revenues</b>	<b>407,580</b>	<b>277,864</b>	<b>129,171</b>	<b>814,615</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	132,753	-	-	132,753
Public safety	310,495	-	50,332	360,827
Public works	24,978	-	-	24,978
Culture and recreation	3,567	-	18,418	21,985
Capital outlay	-	327,536	7,000	334,536
<b>Debt service:</b>				
Principal	5,649	1,324	37,390	44,363
Interest and other charges	54	-	1,053	1,107
<b>Total expenditures</b>	<b>477,496</b>	<b>328,860</b>	<b>114,193</b>	<b>920,549</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(69,916)	(50,996)	14,978	(105,934)
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	67,918	-	67,918
Transfers in	2,197	25,809	15,000	43,006
Transfers (out)	(40,809)	(2,197)	-	(43,006)
<b>Total other financing sources (uses)</b>	<b>(38,612)</b>	<b>91,530</b>	<b>15,000</b>	<b>67,918</b>
Net change in fund balances	(108,528)	40,534	29,978	(38,016)
Fund balances, beginning of year	795,620	9,133	202,312	1,007,065
Fund balances, end of year	<u>\$ 687,092</u>	<u>\$ 49,667</u>	<u>\$ 232,290</u>	<u>\$ 969,049</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds (page eight)	\$	(38,016)
Governmental funds report capital outlay as expenditures in the amount of \$334,536; 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 \$299,926. The net adjustment is \$34,610.		34,610
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 unavailable revenue in the funds. At June 30, 2015, unavailable property taxes amounted to \$10,585. The unavailable property taxes for the current fiscal year amounted to \$12,336; therefore, the net adjustment is \$1,751.		1,751
Accrued interest expense not due within thirty days after year-end is not considered in the current period, and is not reported in the governmental funds. The increase of accrued interest liability from the previous year increases the interest expense within the statement of activities.		(4)
Governmental funds report loan proceeds as other financing sources in the amount of \$67,918; however, in the statement of net position, the receipt of those proceeds is reported as long-term liabilities.		(67,918)
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.		44,363
A decrease in the compensated absences liability is reflected as an expense adjustment within the statement of activities; however, the expense does not use a current financial resource and is not recorded in the governmental funds statement.		3,040
Change in net position of governmental activities (page five)	<u>\$</u>	<u>(22,174)</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, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Gross receipts taxes	\$ 163,501	\$ 163,501	\$ 155,493	\$ 3,508	\$ 159,001	\$ (8,008)
Property taxes	13,317	13,317	13,283	170	13,453	(34)
Franchise taxes	24,000	24,000	25,033	(297)	24,736	1,033
Public service taxes	8,704	8,704	8,710	243	8,953	6
Intergovernmental - State	300,000	300,000	190,417	158	190,575	(109,583)
Charges for services	5,000	5,000	6,150	-	6,150	1,150
Licenses and permits	3,680	3,680	2,250	-	2,250	(1,430)
Fines and forfeitures	-	-	270	-	270	270
Interest	800	800	1,766	73	1,839	966
Miscellaneous	3,300	3,300	353	-	353	(2,947)
<b>Total revenues</b>	<b>522,302</b>	<b>522,302</b>	<b>403,725</b>	<b>3,855</b>	<b>407,580</b>	<b>(118,577)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	143,322	143,322	134,290	(1,537)	132,753	9,032
Public safety	338,292	338,292	315,282	(4,787)	310,495	23,010
Public works	27,590	27,590	26,235	(1,257)	24,978	1,355
Culture and recreation	8,600	8,600	3,448	119	3,567	5,152
Capital outlay	-	-	-	-	-	-
<b>Debt service:</b>						
Principal	-	-	-	5,649	5,649	-
Interest	-	-	-	54	54	-
<b>Total expenditures</b>	<b>517,804</b>	<b>517,804</b>	<b>479,255</b>	<b>(1,759)</b>	<b>477,496</b>	<b>38,549</b>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	4,498	4,498	(75,530)	5,614	(69,916)	(80,028)
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	-	2,197	-	2,197	2,197
Transfers (out)	(15,000)	(15,000)	(39,485)	(1,324)	(40,809)	(24,485)
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>(15,000)</b>	<b>(37,288)</b>	<b>(1,324)</b>	<b>(38,612)</b>	<b>(22,288)</b>
<b>Net change in cash balance</b>	<b>(10,502)</b>	<b>(10,502)</b>	<b>(112,818)</b>	<b>\$ 4,290</b>	<b>\$ (108,528)</b>	<b>(102,316)</b>
Cash balance, beginning of year	773,925	773,925	773,925			-
<b>Cash balance, end of year</b>	<b>\$ 763,423</b>	<b>\$ 763,423</b>	<b>\$ 661,107</b>			<b>\$ (102,316)</b>

**Explanation of Differences:**

Change in receivables	\$ 697
Change in accounts payable	2,173
Change in accrued salaries	5,378
Change in accrued payroll taxes	(1,244)
Change in unearned revenues	(1,751)
Change in investments	(963)
	<u>\$ 4,290</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, 2016**

	Joint Utility Fund	Solid Waste Fund	Other Enterprise Fund	Total
<b>Assets:</b>				
Current assets:				
Cash	\$ 1,309,299	\$ 81,251	\$ 32,351	\$ 1,422,901
Investments	1,711	-	-	1,711
Receivables, net	45,651	11,623	3	57,277
Inventory	3,432	-	-	3,432
Total current assets	1,360,093	92,874	32,354	1,485,321
Noncurrent assets:				
Restricted assets:				
Cash	81,672	-	-	81,672
Capital assets:				
Land	13,152	-	165	13,317
Construction in progress	420,248	-	-	420,248
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	(2,095,905)	-	(49,339)	(2,145,244)
Total capital assets, net	6,193,773	-	165	6,193,938
Total non-current assets	6,275,445	-	165	6,275,610
Total assets	\$ 7,635,538	\$ 92,874	\$ 32,519	\$ 7,760,931
<b>Liabilities and Net Position:</b>				
Current liabilities:				
Accounts payable	\$ 16,083	\$ 4,065	\$ 898	\$ 21,046
Accrued salaries	1,904	405	-	2,309
Accrued sales taxes	2,421	-	-	2,421
Accrued payroll taxes	1,749	312	-	2,061
Accrued interest payable	2,995	-	-	2,995
Deposits payable	59,300	-	-	59,300
Current maturities of liabilities:				
Notes payable	5,114	-	-	5,114
Compensated absences	3,256	113	-	3,369
Total current liabilities	92,822	4,895	898	98,615
Noncurrent liabilities:				
Notes payable	184,624	-	-	184,624
Compensated absences	2,247	-	-	2,247
Total noncurrent liabilities	186,871	-	-	186,871
Total liabilities	279,693	4,895	898	285,486
<b>Net Position:</b>				
Net investment in capital assets	6,004,035	-	165	6,004,200
Restricted for debt service	32,612	-	-	32,612
Unrestricted	1,319,198	87,979	31,456	1,438,633
Total net position	7,355,845	87,979	31,621	7,475,445
Total liabilities and net position	\$ 7,635,538	\$ 92,874	\$ 32,519	\$ 7,760,931

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, 2016

	Joint Utility Fund	Solid Waste Fund	Other Enterprise funds	Total
Operating Revenues:				
Charges for services	\$ 468,507	\$ 121,621	\$ 2,800	\$ 592,928
Operating Expenses:				
Personnel services	169,986	29,253	-	199,239
Utilities	24,723	-	-	24,723
Contractual services	159,351	96,888	-	256,239
Repairs and maintenance	30,916	-	-	30,916
General operating	39,551	3,657	4,027	47,235
Depreciation	163,724	-	-	163,724
Total operating expenses	<u>588,251</u>	<u>129,798</u>	<u>4,027</u>	<u>722,076</u>
Operating (loss)	(119,744)	(8,177)	(1,227)	(129,148)
Non-Operating Revenues (Expenses):				
Gross receipts taxes	-	3,864	-	3,864
Interest income	821	-	43	864
Interest expense	<u>(5,681)</u>	<u>-</u>	<u>-</u>	<u>(5,681)</u>
Total non-operating revenues (expenses)	<u>(4,860)</u>	<u>3,864</u>	<u>43</u>	<u>(953)</u>
(Loss) before capital contributions and transfers	(124,604)	(4,313)	(1,184)	(130,101)
Capital contributions	<u>407,110</u>	<u>-</u>	<u>-</u>	<u>407,110</u>
Change in net position	282,506	(4,313)	(1,184)	277,009
Net position, beginning of year	<u>7,073,339</u>	<u>92,292</u>	<u>32,805</u>	<u>7,198,436</u>
Net position, end of year	<u>\$ 7,355,845</u>	<u>\$ 87,979</u>	<u>\$ 31,621</u>	<u>\$ 7,475,445</u>

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

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Joint Utility Enterprise Fund	Solid Waste Fund	Other Enterprise Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 466,107	\$ 121,913	\$ 2,800	\$ 590,820
Cash payments to suppliers for goods and services	(244,736)	(108,876)	(3,129)	(356,741)
Cash payments to employees for services	(179,250)	(30,730)	-	(209,980)
Net cash provided (used) by operating activities	42,121	(17,693)	(329)	24,099
<b>Cash Flows From Non-Capital and Related Financing Activities:</b>				
Cash received from gross receipts taxes	-	3,876	-	3,876
Cash received from customer deposits	2,784	-	-	2,784
Transfers	40,000	-	-	40,000
Net cash provided by non-capital and related financing activities	42,784	3,876	-	46,660
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Principal payment on capital debt	(5,033)	-	-	(5,033)
Interest paid	(5,720)	-	-	(5,720)
Net cash (used) by capital and related financing activities	(10,753)	-	-	(10,753)
<b>Cash Flows From Investing Activities:</b>				
Interest income	761	-	40	801
Net increase (decrease) in cash	74,913	(13,817)	(289)	60,807
Cash and cash equivalents, beginning of year	1,316,058	95,068	32,640	1,443,766
Cash and cash equivalents, end of year	<u>\$ 1,390,971</u>	<u>\$ 81,251</u>	<u>\$ 32,351</u>	<u>\$ 1,504,573</u>
<b>Displayed as:</b>				
Cash	\$ 1,309,299	\$ 81,251	\$ 32,351	\$ 1,422,901
Restricted cash	81,672	-	-	81,672
	<u>\$ 1,390,971</u>	<u>\$ 81,251</u>	<u>\$ 32,351</u>	<u>\$ 1,504,573</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating (loss)	\$ (119,744)	\$ (8,177)	\$ (1,227)	\$ (129,148)
<b>Adjustment to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>				
Depreciation	163,724	-	-	163,724
Bad debts	19	-	-	19
<b>Changes in Assets and Liabilities:</b>				
(Increase) decrease in accounts receivable	(990)	292	-	(698)
Decrease in inventory	8,869	-	-	8,869
Increase (decrease) in accounts payable	(369)	(8,331)	898	(7,802)
(Decrease) in accrued salaries	(5,086)	(731)	-	(5,817)
(Decrease) in accrued gross receipts taxes	(124)	-	-	(124)
Increase (decrease) in accrued payroll taxes	138	(10)	-	128
(Decrease) in compensated absences	(4,316)	(736)	-	(5,052)
Total adjustments	161,865	(9,516)	898	153,247
Net cash provided (used) by operating activities	<u>\$ 42,121</u>	<u>\$ (17,693)</u>	<u>\$ (329)</u>	<u>\$ 24,099</u>

Noncash Capital Financing Activities:  
Capital assets of \$367,110 were acquired through noncash capital contributions for water system improvements.

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, 2016

**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, 2016.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**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 position 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, 2016

**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, 2016

**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 funds:

The *general fund* is the Town's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the Town, except for items included in other funds.

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

The Town maintains six other individual governmental funds that are considered nonmajor and are classified as special revenue funds. 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, 2016

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

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

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

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

E. Budgets (continued)

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

E. Assets, Liabilities, and Net Assets or Equity

**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.

**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.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**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

**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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

**8. Compensated Absences (continued)**

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

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

**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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

**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 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 expenditures in the year of issuance.

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* – 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.

**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.



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

**13. Fund Equity Reservation and Designations (continued)**

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

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of 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.

F. Other Matters

**1. Presentation**

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

**2. Cash Flows**

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

F. Other Matters (continued)

**3. Use of Estimates**

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

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash

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

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

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

Cash Deposited with Financial Institutions

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

As of June 30, 2016, 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:

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

*Cash Deposited with Financial Institutions (continued)*

	Financial Institution Balance	Reconciling Items	Reconciled Balance
Cash on hand	\$ -	\$ 250	\$ 250
First American Bank	2,362,645	(3,350)	2,359,295
Total cash deposits	<u>\$ 2,362,645</u>	<u>\$ (3,100)</u>	<u>\$ 2,359,545</u>

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

Statement of Net Position:	
Cash	\$ 2,277,771
Restricted cash	<u>81,774</u>
	<u>\$ 2,359,545</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	\$ 2,362,645
Less FDIC insurance	<u>(250,000)</u>
Uninsured public funds	2,112,645
Pledged collateral held by pledging bank's agent, but not in the Town's name	<u>2,321,960</u>
Uninsured and uncollateralized public funds	<u>\$ -</u>
Total pledged collateral	\$ 2,321,960
50% pledged collateral requirement per state statute	<u>(931,323)</u>
Over (under) collateralization	<u>\$ 1,390,637</u>

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

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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.

*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, 2016, \$2,112,645 of the Town's bank balance of \$2,362,645 was exposed to custodial credit risk as follows:

	First American Bank
Uninsured and collateral held by pledging bank's agent not in the Town's name	\$ 2,112,645

**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	\$ 102	\$ 81,672
Restricted investments	96,476	-
	\$ 96,578	\$ 81,672
Purpose of the Restriction:		
Court ordered bonds	\$ 102	\$ -
Program funds	39,933	-
Meter deposits	-	50,771
Debt reserves	-	30,901
Debt service	56,543	-
	\$ 96,578	\$ 81,672

*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, 2016, 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, 2016**

**3. RESTRICTED ASSETS (continued)**

*NMFA – Debt Service Pool*

The Town has \$56,543 invested with the NMFA debt service pool. At June 30, 2016, the pool was composed of short-term, high-credit-quality money market instruments.

*NMFA – Program Funds*

The Town has \$39,933 invested within the NMFA program fund. At June 30, 2016, the fund was composed of 15.34% cash and short-term high quality money market instruments and 84.66% fixed income U.S. government securities.

*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 1.649 years or 602 days. The NMFA program funds pool fund weighted average maturity is .513 years or 187 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.

*USDA Debt Reserves*

The U.S. Department of Agriculture Rural Development loan requirements are that the Town establish a separate bank account, earmarked as Rural Development Debt Reserve Account. The town is required to make annual deposits into the account. At June 30, 2016, the balance of the account was \$30,901.

**4. INVESTMENTS**

*Cash Deposited With the New Mexico State Treasurer*

The Local Government Investment Pool (LGIP) is a fund created pursuant to NMSA 1978 6-10-10 to allow municipal, city, county, tribe and quasi-governmental bodies to voluntarily remit money to the New Mexico State Treasurer's Office to receive professional money management on a pooled basis. The LGIP is rated AAAM by Standard & Poor's, the highest principal stability credit rating awarded by Standard & Poor's, and has been reaffirmed annually since August 2007. The investment portfolio is posted on the State Treasurer's Office website, [www.nmsto.gov](http://www.nmsto.gov), and is available for review by participants at any time. The Town's total fair market value at June 30, 2016 is as follows:

Governmental Activities	Business-Type Activities
\$ 2,796	\$ 1,711

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**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 LGIP WAM (R) was 44 days, and the WAM (F) was 77 days at June 30, 2016.

**5. RECEIVABLES, NET**

Receivables net of allowance for doubtful accounts at June 30, 2016 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ -	\$ 71,882
Allowance for doubtful accounts	-	(15,261)
Total	-	56,621
Taxes receivable:		
Gross receipts taxes	24,172	593
Franchise taxes	5,040	-
Property taxes	13,193	-
Public service taxes	323	-
Allowance for doubtful accounts	-	-
Total	42,728	593
Intergovernmental receivables:		
Recreation - swimming pool improvements	98,858	-
Public safety - STEP	899	-
General government - court automation	1,227	-
Total	100,984	-
Interest receivable:	74	63
	\$ 143,786	\$ 57,277

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, 2016

**6. PROPERTY TAX**

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2015, was \$.834 per \$1,000 for non-residential and \$1.320 for residential property. In the year 2015, there was no tax rate established for payment of bonds principal and interest.

**7. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2016, are as follows:

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,247	\$ -	\$ -	\$ 1,247
Construction in progress	84,178	49,009	(16,985)	116,202
Total capital assets, not being depreciated	85,425	49,009	(16,985)	117,449
Other capital assets, being depreciated:				
Buildings	1,391,463	-	-	1,391,463
Improvements	743,166	118,602	-	861,768
Infrastructure	10,614,518	176,910	-	10,791,428
Furniture, equipment and vehicles	1,063,329	7,000	-	1,070,329
Total other capital assets, being depreciated	13,812,476	302,512	-	14,114,988
Less accumulated depreciation:				
Buildings	(426,502)	(27,406)	-	(453,908)
Improvements	(377,053)	(28,868)	-	(405,921)
Infrastructure	(2,312,031)	(194,647)	-	(2,506,678)
Furniture, equipment and vehicles	(743,061)	(49,005)	-	(792,066)
Total accumulated depreciation	(3,858,647)	(299,926)	-	(4,158,573)
Other capital assets, net	9,953,829	2,586	-	9,956,415
Total capital assets, net	<u>\$ 10,039,254</u>	<u>\$ 51,595</u>	<u>\$ (16,985)</u>	<u>\$ 10,073,864</u>

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**7. CAPITAL ASSETS (continued)**

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

General government	\$	2,809
Public safety		46,082
Public works		250,807
Culture and recreation		228
	<u>\$</u>	<u>299,926</u>

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,317	\$ -	\$ -	\$ 13,317
Construction in progress	53,138	367,110	-	420,248
Total capital assets, not being depreciated	66,455	367,110	-	433,565
Other capital assets, being depreciated:				
Buildings	272,710	-	-	272,710
Improvements	98,454	-	-	98,454
Water and sewer utility system	7,089,376	-	-	7,089,376
Furniture, equipment and vehicles	445,077	-	-	445,077
Total other capital assets, being depreciated	7,905,617	-	-	7,905,617
Less accumulated depreciation for:				
Buildings	(87,006)	(5,454)	-	(92,460)
Improvements	(81,179)	(2,071)	-	(83,250)
Water and sewer utility system	(1,483,400)	(131,061)	-	(1,614,461)
Furniture, equipment and vehicles	(329,935)	(25,138)	-	(355,073)
Total accumulated depreciation	(1,981,520)	(163,724)	-	(2,145,244)
Other capital assets, net	5,924,097	(163,724)	-	5,760,373
Total capital assets, net	<u>\$ 5,990,552</u>	<u>\$ 203,386</u>	<u>\$ -</u>	<u>\$ 6,193,938</u>



**STATE OF NEW MEXICO  
TOWN OF HURLEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**8. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2016, are as follows:

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16	Amounts Due Within One Year
Notes payable	\$ 98,467	\$ 67,918	\$ (44,363)	\$ 122,022	\$ 31,088
Compensated absences	10,261	14,170	(17,210)	7,221	4,333
	<u>\$ 108,728</u>	<u>\$ 82,088</u>	<u>\$ (61,573)</u>	<u>\$ 129,243</u>	<u>\$ 35,421</u>

**NMFA Loan No. PP-2852**

On January 11, 2013, the Town borrowed \$136,724 from the New Mexico Finance Authority for the purchase of a fire pumper truck for use by the Town's volunteer fire department. The loan is to be repaid from the annual distribution of fire protection funds received from the state of New Mexico. The note matures May 1, 2018. The annual payment is approximately \$28,138, 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
2017	\$ 27,583	\$ 541	\$ 28,124
2018	27,845	306	28,151
	<u>\$ 55,428</u>	<u>\$ 847</u>	<u>\$ 56,275</u>

**NMFA Loan No. CI-3355**

On January 15, 2016, the Town borrowed \$67,918 from the New Mexico Finance Authority for improvements to flood and drainage control of Cortez Avenue infrastructure in Hurley, New Mexico. The loan is part of the total Colonias Improvement Project of \$679,176. The loan is to be repaid from the revenues pledged pursuant to Ordinance No. 51, which imposes a municipal gross receipts tax known as the fifth one-quarter (1/4) of one-percent (.250%) increment on the gross receipts of all persons engaging in business within the Town boundaries. The note matures on June 1, 2035, and does not accrue interest. The following is a schedule of the annual payments for the note:

Due in Fiscal Year Ending June 30:	Principal	Interest	Total
2017	\$ 3,505	\$ -	\$ 3,505
2018	3,505	-	3,505
2019	3,505	-	3,505
2020	3,505	-	3,505
2021	3,505	-	3,505
2022-2026	17,525	-	17,525
2027-2031	17,525	-	17,525
2032-2035	14,019	-	14,019
	<u>\$ 66,594</u>	<u>\$ -</u>	<u>\$ 66,594</u>

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**8. LONG-TERM OBLIGATIONS (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, 2016, are as follows:

	Balance 06/30/15	Increases	Decreases	Balance 06/30/16	Amounts Due Within One Year
<b>Business-Type Activities:</b>					
Bonds payable	\$ 134,330	\$ -	\$ (1,730)	\$ 132,600	\$ 1,810
Notes payable	60,441	-	(3,303)	57,138	3,304
Compensated absences	10,668	15,095	(20,147)	5,616	3,369
	<u>\$ 205,439</u>	<u>\$ 15,095</u>	<u>\$ (25,180)</u>	<u>\$ 195,354</u>	<u>\$ 8,483</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
2017	\$ 1,810	\$ 5,636	\$ 7,446
2018	1,890	5,556	7,446
2019	1,970	5,475	7,445
2020	2,050	5,394	7,444
2021	2,140	5,304	7,444
2022-2026	12,120	24,899	37,019
2027-2031	14,930	21,886	36,816
2032-2036	18,390	18,532	36,922
2037-2041	22,640	14,180	36,820
2042-2046	27,880	8,802	36,682
2047-2050	26,780	2,324	29,104
	<u>\$ 132,600</u>	<u>\$ 117,988</u>	<u>\$ 250,588</u>

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**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
2017	\$ 332	\$ -	\$ 332
2018	333	-	333
2019	334	-	334
2020	335	-	335
2021	335	-	335
2022-2026	1,690	-	1,690
2027-2030	681	-	681
	\$ 4,040	\$ -	\$ 4,040

*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
2017	\$ 373	\$ -	\$ 373
2018	373	-	373
2019	373	-	373
2020	373	-	373
2021	373	-	373
2022-2026	1,860	-	1,860
2027-2031	1,860	-	1,860
2032-2033	744	-	744
	\$ 6,329	\$ -	\$ 6,329

**STATE OF NEW MEXICO  
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**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
2017	\$ 2,599	\$ -	\$ 2,599
2018	2,599	-	2,599
2019	2,599	-	2,599
2020	2,599	-	2,599
2021	2,599	-	2,599
2022-2026	12,990	-	12,990
2027-2031	12,990	-	12,990
2032-2034	7,794	-	7,794
	\$ 46,769	\$ -	\$ 46,769

**9. UNAVAILABLE REVENUES**

The Town has recorded unavailable property tax revenues of \$12,336 as deferred inflows of resources within the governmental general fund

**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	Capital Projects Fund	Other Governmental Funds	Total
Transfers (out):				
General Fund	\$ -	\$ 25,809	\$ 15,000	\$ 40,809
Capital Projects Fund	2,197	-	-	2,197
	\$ 2,197	\$ 25,809	\$ 15,000	\$ 43,006

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

**STATE OF NEW MEXICO**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

**12. RETIREMENT PLAN**

The Town sponsors an AIM Simple Individual Retirement Annuity (IRA) Plan for eligible employees. There are two employees who are participating. The Town's contributions to the plan are dollar for dollar of the employees' contributions, not to exceed 3% of gross wages. The Town's matching contribution for the year ended June 30, 2016 was \$3,785.

**13. POST-EMPLOYMENT BENEFITS**

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

**14. RISK MANAGEMENT**

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

**15. 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**16. CONSTRUCTION COMMITMENTS**

*Governmental Activities* – As of June 30, 2016, the Town has construction contracts that total \$1,270,624. The projects are for street and roadway improvements, including drainage funded through state grants and loans. The remaining construction commitments are estimated at \$1,154,423.

*Business-Type Activities* – As of June 30, 2016, the Town has construction contracts that total \$519,671. The projects are for water system improvements funded through state grants and loans. The remaining construction commitments are estimated at \$99,423.

**17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

*Deficit Fund Balance of Individual Funds* - There were no funds that had a deficit fund balance for the year ended June 30, 2016.

*Excess of Expenditures Over Appropriations* - There were no funds that exceeded approved budgetary authority for the year ended June 30, 2016.

*Designated Cash Appropriations* - There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2016.

## **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, 2016**

	Special Revenue Funds						Total Other Governmental Funds
	Corrections Fund	Fire Fund	Emergency Medical Services Fund	Law Enforcement Fund	Lodgers' Tax Fund	Recreation Fund	
<b>Assets</b>							
Assets:							
Cash and cash equivalents	\$ 93,736	\$ 54,378	\$ 734	\$ 10,258	\$ 4,256	\$ 18,284	\$ 181,646
Receivables, net	7	-	-	-	-	-	7
Restricted assets:							
Cash	102	-	-	-	-	-	102
Investments	-	56,519	-	17	-	-	56,536
Total assets	<u>\$ 93,845</u>	<u>\$ 110,897</u>	<u>\$ 734</u>	<u>\$ 10,275</u>	<u>\$ 4,256</u>	<u>\$ 18,284</u>	<u>\$ 238,291</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 645	\$ 548	\$ -	\$ 2,018	\$ -	\$ 1,642	\$ 4,853
Accrued salaries	-	-	-	-	-	593	593
Accrued payroll taxes	-	-	-	-	-	453	453
Due to others	102	-	-	-	-	-	102
Total liabilities	747	548	-	2,018	-	2,688	6,001
Fund Balances:							
Restricted for:							
Debt service	-	56,519	-	17	-	-	56,536
State mandated per statutes	52,098	53,830	34	-	-	-	105,962
Committed for:							
Subsequent years' expenditures	-	-	700	8,240	4,256	12,532	25,728
Assigned	41,000	-	-	-	-	3,064	44,064
Total fund balances	<u>93,098</u>	<u>110,349</u>	<u>734</u>	<u>8,257</u>	<u>4,256</u>	<u>15,596</u>	<u>232,290</u>
Total liabilities and fund balances	<u>\$ 93,845</u>	<u>\$ 110,897</u>	<u>\$ 734</u>	<u>\$ 10,275</u>	<u>\$ 4,256</u>	<u>\$ 18,284</u>	<u>\$ 238,291</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, 2016**

	Corrections Fund	Fire Fund	Emergency Medical Services Fund	Law Enforcement Fund	Lodgers' Tax Fund	Recreation Fund	Total Other Governmental Funds
Revenues:							
Intergovernmental - State	\$ -	\$ 70,068	\$ -	\$ 22,400	\$ -	\$ -	\$ 92,468
Charges for services	-	-	-	-	-	2,655	2,655
Fines and forfeitures	33,781	-	-	-	-	-	33,781
Interest	86	163	-	18	-	-	267
Total revenues	33,867	70,231	-	22,418	-	2,655	129,171
Expenditures:							
Current:							
Public safety	5,114	25,949	1,000	18,269	-	-	50,332
Culture and recreation	-	-	-	-	2,219	16,199	18,418
Capital outlay	7,000	-	-	-	-	-	7,000
Debt service:							
Principal	-	27,366	-	10,024	-	-	37,390
Interest and other charges	-	813	-	240	-	-	1,053
Total expenditures	12,114	54,128	1,000	28,533	2,219	16,199	114,193
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	21,753	16,103	(1,000)	(6,115)	(2,219)	(13,544)	14,978
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	15,000	15,000
Net change in fund balances	21,753	16,103	(1,000)	(6,115)	(2,219)	1,456	29,978
Fund balances, beginning of year	71,345	94,246	1,734	14,372	6,475	14,140	202,312
Fund balance, end of year	\$ 93,098	\$ 110,349	\$ 734	\$ 8,257	\$ 4,256	\$ 15,596	\$ 232,290

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, 2016**

	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	\$ 12,925	\$ 12,925	\$ 33,781	\$ -	\$ 33,781	\$ 20,856
Interest	75	75	79	7	86	4
Total revenues	13,000	13,000	33,860	7	33,867	20,860
Expenditures:						
Current:						
Public safety	13,000	13,000	5,045	69	5,114	7,955
Capital outlay	-	-	7,000	-	7,000	(7,000)
Total expenditures	13,000	13,000	12,045	69	12,114	955
Net change in cash balance	-	-	21,815	\$ (62)	\$ 21,753	19,905
Cash balance, beginning of year	73,043	73,043	73,043			-
Cash transfer to restricted cash	-	-	(1,122)			-
Cash balance, end of year	\$ 73,043	\$ 73,043	\$ 93,736			\$ 19,905
<b>Explanation of Differences:</b>						
Change in receivables				\$ 7		
Change in accounts payable				(69)		
				\$ (62)		

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, 2016**

	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	\$ 41,889	\$ 28,179	\$ 70,068	\$ (28,200)
Interest	-	-	-	163	163	-
Total revenues	70,089	70,089	41,889	28,342	70,231	(28,200)
Expenditures:						
Current:						
Public safety	108,694	108,694	27,521	(1,572)	25,949	81,173
Debt service:						
Principal	-	-	-	27,366	27,366	-
Interest and other charges	-	-	-	813	813	-
Total expenditures	108,694	108,694	27,521	26,607	54,128	81,173
Excess (Deficiency) of revenues over expenditures before other financing sources (uses)	(38,605)	(38,605)	14,368	1,735	16,103	52,973
Other Financing Sources (Uses):						
Transfers (out)	-	-	-	-	-	-
Net change in cash balance	(38,605)	(38,605)	14,368	<u>\$ 1,735</u>	<u>\$ 16,103</u>	52,973
Cash balance, beginning of year	38,605	38,605	38,605			-
Cash transfer from restricted investments	-	-	1,405			1,405
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,378</u>			<u>\$ 54,378</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ 1,572		
Interest earned in restricted investments				<u>163</u>		
				<u>\$ 1,735</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, 2016**

	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	1,734	1,734	1,000	-	1,000	734
Net change in cash balance	(1,734)	(1,734)	(1,000)	\$ -	\$ (1,000)	734
Cash balance, beginning of year	1,734	1,734	1,734			-
Cash balance, end of year	\$ -	\$ -	\$ 734			\$ (734)

**Explanation of Differences:**

None:

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, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental	\$ 22,400	\$ 22,400	\$ 12,136	\$ 10,264	\$ 22,400	\$ (10,264)
Interest	-	-	-	18	18	-
Miscellaneous	-	-	-	-	-	-
Total revenues	22,400	22,400	12,136	10,282	22,418	(10,264)
<b>Expenditures:</b>						
Current:						
Public safety	26,408	26,408	16,251	2,018	18,269	10,157
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	10,024	10,024	-
Interest and other charges	-	-	-	240	240	-
Total expenditures	26,408	26,408	16,251	12,282	28,533	10,157
Net change in cash balance	(4,008)	(4,008)	(4,115)	<u>\$ (2,000)</u>	<u>\$ (6,115)</u>	(107)
Cash balance, beginning of year	4,108	4,108	4,108			-
Cash transfer to restricted investments	-	-	10,265			10,265
Cash balance, end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 10,258</u>			<u>\$ 10,158</u>

**Explanation of Differences:**

Change in accounts payable	\$ (2,018)
Interest income earned on restricted investments	18
	<u>\$ (2,000)</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**LODGERS' TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:						
Current:						
Culture and recreation	5,000	5,000	2,660	(441)	2,219	2,340
Net change in cash balance	(5,000)	(5,000)	(2,660)	\$ 441	\$ (2,219)	(2,340)
Cash balance, beginning of year	6,916	6,916	6,916			-
Cash balance, end of year	\$ 1,916	\$ 1,916	\$ 4,256			\$ (2,340)
<b>Explanation of Differences:</b>						
Changes in accounts payable				\$ (441)		

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, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 2,500	\$ 2,500	\$ 2,655	\$ -	\$ 2,655	\$ 155
Expenditures:						
Current:						
Culture and recreation	29,232	29,232	18,025	(1,826)	16,199	11,207
(Deficiency) of revenues over expenditures before other financing sources (uses)	(26,732)	(26,732)	(15,370)	1,826	(13,544)	11,362
Other Financing Sources (Uses):						
Transfers in	15,000	15,000	15,000	-	15,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (out)	15,000	15,000	15,000	-	15,000	-
Net change in cash balance	(11,732)	(11,732)	(370)	\$ 1,826	\$ 1,456	11,362
Cash balance, beginning of year	18,654	18,654	18,654			-
Cash balance, end of year	\$ 6,922	\$ 6,922	\$ 18,284			\$ 11,362
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ 891		
Change in accrued salaries				1,346		
Change in accrued payroll taxes				(411)		
				\$ 1,826		

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, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental State	\$ 794,777	\$ 794,777	\$ 183,669	\$ 94,195	\$ 277,864	\$ (611,108)
<b>Expenditures:</b>						
Debt service:						
Principal	-	-	-	1,324	1,324	-
Capital outlay	791,997	791,997	202,973	124,563	327,536	589,024
Total expenditures	791,997	791,997	202,973	125,887	328,860	589,024
Excess of revenues over expenditures before other financing sources (uses)	2,780	2,780	(19,304)	(31,692)	(50,996)	(22,084)
<b>Other Financing Sources (Uses):</b>						
Loan proceeds	-	-	-	67,918	67,918	-
Transfers in	-	-	24,485	1,324	25,809	24,485
Transfers (out)	-	-	(2,197)	-	(2,197)	(2,197)
Total other financing sources (uses)	-	-	22,288	69,242	91,530	22,288
Net change in cash balance	2,780	2,780	2,984	\$ 37,550	\$ 40,534	(204)
Cash balance, beginning of year	9,133	9,133	9,133			-
Cash balance, end of year	\$ 11,913	\$ 11,913	\$ 12,117			\$ (204)
<b>Explanation of Differences:</b>						
Change in receivables				\$ 94,195		
Change in payables				(96,578)		
Change in restricted assets				39,933		
				\$ 37,550		

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, 2016

**Assets:**

Current assets:

Cash	\$	32,351
Receivables, net		<u>3</u>
Total current assets		32,354

Non-current assets:

Capital Assets:

Land		165
Improvements		49,339
Less accumulated depreciation		<u>(49,339)</u>
Total capital assets, net		<u>165</u>

Total capital assets	\$	<u><u>32,519</u></u>
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**Liabilities and Net Position:**

Current liabilities:

Accounts payable	\$	898
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Net position:

Unrestricted		<u>31,621</u>
Total liabilities and net position	\$	<u><u>32,519</u></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  
CEMETERY FUND  
JUNE 30, 2016

Operating Revenues:	
Charges for services	\$ 2,800
Operating Expenses:	
General operating expenses	<u>4,027</u>
Operating (loss)	(1,227)
Non-Operating Revenues (Expenses):	
Interest income	<u>43</u>
Change in net position	(1,184)
Net position, beginning of year	<u>32,805</u>
Net position, end of year	<u><u>\$ 31,621</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, 2016**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,800
Cash payments to suppliers for goods and services	<u>(3,129)</u>
Net cash (used) by operating activities	(329)
Cash Flows From Investing Activities:	
Interest income	<u>40</u>
Net (decrease) in cash	(289)
Cash and cash equivalents, beginning of year	<u>32,640</u>
Cash and cash equivalents, end of year	<u><u>\$ 32,351</u></u>
Displayed as:	
Cash	<u><u>\$ 32,351</u></u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (1,227)
Changes in accounts payable	<u>898</u>
Net cash (used) by operating activities	<u><u>\$ (329)</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, 2016**

	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	\$ 493,357	\$ 493,357	\$ 466,107	\$ 2,400	\$ 468,507	\$ (27,250)
Operating Expenses:						
Personnel services	178,512	178,512	179,250	(9,264)	169,986	(738)
Utilities	28,500	28,500	24,929	(206)	24,723	3,571
Contractual services	158,714	158,714	159,251	100	159,351	(537)
Repairs and maintenance	23,600	23,015	21,033	9,883	30,916	1,982
General operating	49,013	49,013	38,715	836	39,551	10,298
Depreciation	-	-	-	163,724	163,724	-
Total operating expenses	<u>438,339</u>	<u>437,754</u>	<u>423,178</u>	<u>165,073</u>	<u>588,251</u>	<u>14,576</u>
Operating income (loss)	55,018	55,603	42,929	(162,673)	(119,744)	(12,674)
Non-Operating Revenues (Expenses):						
Interest income	500	500	761	60	821	261
Capital outlay	(510,916)	(510,916)	-	-	-	510,916
Debt service - principal	(6,001)	(6,586)	(5,033)	5,033	-	1,553
Interest expense and other charges	(5,720)	(5,720)	(5,720)	39	(5,681)	-
Total non-operating revenues (expenses)	<u>(522,137)</u>	<u>(522,722)</u>	<u>(9,992)</u>	<u>5,132</u>	<u>(4,860)</u>	<u>512,730</u>
Income (loss) before capital contributions and transfers	(467,119)	(467,119)	32,937	(157,541)	(124,604)	500,056
Capital Contributions and Transfers:						
Capital contributions	512,610	512,610	40,000	367,110	407,110	(472,610)
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total capital contributions and transfers	<u>512,610</u>	<u>512,610</u>	<u>40,000</u>	<u>367,110</u>	<u>407,110</u>	<u>(472,610)</u>
Net change in cash balance	45,491	45,491	72,937	<u>\$ 209,569</u>	<u>\$ 282,506</u>	27,446
Cash balance, beginning of year	1,241,116	1,241,116	1,241,116			-
Cash transferred to restricted cash and investments	-	-	(4,754)			-
Cash balance, end of year	<u>\$ 1,286,607</u>	<u>\$ 1,286,607</u>	<u>\$ 1,309,299</u>			<u>\$ 27,446</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (121)		
Change in allowance account				(19)		
Change in inventory				(8,869)		
Additions to capital assets				367,110		
Change in accounts payable				232		
Change in accrued salaries				5,086		
Change in sales tax				124		
Change in accrued payroll taxes				(138)		
Change in accrued interest payable				39		
Change in amounts due to others				500		
Change in compensated absences				4,316		
Payment of long-term debt				5,033		
Depreciation expense				(163,724)		
				<u>\$ 209,569</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, 2016**

	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	\$ 152,082	\$ 152,082	\$ 121,913	\$ (292)	\$ 121,621	\$ (30,169)
Operating Expenses:						
Personnel services	30,612	30,612	30,730	(1,477)	29,253	(118)
Contractual services	102,000	106,000	105,219	(8,331)	96,888	781
General operating	3,657	3,657	3,657	-	3,657	-
Total operating expenses	136,269	140,269	139,606	(9,808)	129,798	663
Operating income (loss)	15,813	11,813	(17,693)	9,516	(8,177)	(30,832)
Non-Operating Revenues (Expenses):						
Gross receipts taxes	3,500	3,500	3,876	(12)	3,864	376
Income (loss) before transfers	19,313	15,313	(13,817)	9,504	(4,313)	(30,456)
Transfers:						
Transfer in	-	-	-	-	-	-
Net change in cash balance	19,313	15,313	(13,817)	\$ 9,504	\$ (4,313)	(30,456)
Cash balance, beginning of year	95,068	95,068	95,068			-
Cash balance, end of year	\$ 114,381	\$ 110,381	\$ 81,251			\$ (30,456)
<b>Explanation of Differences:</b>						
Change in receivables				\$ (310)		
Change in allowance account				6		
Change in accounts payable				8,331		
Change in accrued salaries				731		
Change in accrued payroll taxes				10		
Change in compensated absences				736		
				\$ 9,504		

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, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 2,000	\$ 2,000	\$ 2,800	\$ -	\$ 2,800	\$ 800
Operating Expenses:						
General operating	4,500	4,500	3,129	898	4,027	1,371
Operating (loss)	(2,500)	(2,500)	(329)	(898)	(1,227)	2,171
Non-Operating Revenues (Expenses):						
Interest	40	40	40	-	43	-
Capital outlay	(100,000)	(100,000)	-	-	-	100,000
Total non-operating revenues (expenses)	(99,960)	(99,960)	40	-	43	100,000
Income (loss) before capital contributions	(102,460)	(102,460)	(289)	(898)	(1,184)	102,171
Capital contributions	100,000	100,000	-	-	-	(100,000)
Net change in cash balance	(102,460)	(102,460)	(289)	\$ (898)	\$ (1,184)	102,171
Cash balance, beginning of year	32,640	32,640	32,640			-
Cash balance, end of year	\$ (69,820)	\$ (69,820)	\$ 32,351			\$ 102,171
<b>Explanation of Differences:</b>						
Change in receivables				\$ 3		
Changes in accounts payable				(898)		
				\$ (895)		

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, 2016**

<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	\$ 1,897,427	\$ 211	\$ 1,897,638
Town of Hurley - Construction	Checking	697	-	697
Town of Hurley - Bond	Checking	3,569	(3,467)	102
Town of Hurley - USDA Debt Service	Checking	30,901	-	30,901
Town of Hurley - Water Deposit	Checking	50,866	(94)	50,772
Certificate of Deposit	CD	28,785	-	28,785
Certificate of Deposit	CD	135,701	-	135,701
Certificate of Deposit	CD	113,301	-	113,301
Certificate of Deposit	CD	11,514	-	11,514
Certificate of Deposit	CD	22,676	-	22,676
Certificate of Deposit	CD	67,208	-	67,208
Total cash deposits		<u>\$ 2,362,645</u>	<u>\$ (3,350)</u>	<u>\$ 2,359,295</u>

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2016**

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

Security	CUSIP	Maturity	Value
SLVR - Lea Cnty SD #8 NM 16	521513AF8	07/15/16	\$ 225,443
SLVR - Ruidoso Mun SD #3 NM	781338GK8	08/01/18	451,526
SLVR - Ruidoso Mun SD #3 NM	781338GK8	08/01/18	100,339
SLVR - Aztec SD 2-REF-B NM 16	054879HM6	10/01/16	156,060
SLVR - Questa ISD #9 NM 18	748352CR0	09/01/18	172,536
SLVR - Alamogordo NM 19	011446FS5	08/01/19	217,874
SLVR - Albuquerque SD 12 NM	013595LM3	08/01/22	109,150
SLVR - Los Lunas SD 1 NM 25	545562QZ6	07/15/25	889,032
			<u>\$ 2,321,960</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, 2016

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, 2016, the governments have expended \$14,825,444 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 \$1,640,106.
- F. **Amount contributed in the current fiscal year** – The Town of Hurley contributed \$145,056.
- 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, 2016**

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Vendor Name</u>	<u>Did Vendor Win Contract</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Physical Address of Vendor (City, State)</u>	<u>Did the Vendor Provide Documentation of Eligibility for In-State Preference</u>	<u>Did the Vendor Provide Documentation of Eligibility for Veterans' Preference</u>	<u>Brief Description of the Scope of Work</u>
6094	RFB	New World Building Custom Steelwork	Yes	\$ 156,337.00	\$ -	305 S. Bullard Silver City, NM	Yes	No	To plan, design, construct, equip and furnish improvements to the swimming pool in Hurley in Grant County.
6094	RFB	Mevacon, LLC	No			1207 Scoggins Avenue Las Cruces, NM	Yes	Yes	

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

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

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

Independent Auditors' Report

Timothy Keller, State Auditor  
and  
Mayor and Board of Councilors  
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, 2016, 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, 2016.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and responses listed as items 2016-001, 2016-002, 2016-003.

### **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, 2016

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

**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, 2016, 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, 2016

**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 choose 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 better understanding of the financial statements but is still limited to producing the financial statements herself. The Town Clerk and staff will continue to go to trainings to obtain better knowledge to be able to produce the Town's financial statements. The Town now has funding to purchase accounting software that will help the Town Clerk be more efficient in reporting. The Town is currently seeking bids for the new accounting software. The Town currently does not have the extra funding to hire another firm to help with the preparation of financial statements due to the major concern with the water situation and, at this time, all revenues are still focused on obtaining their own water source, which has a time limit of 2018. The Town Officials and Town Clerk do take this finding very seriously and will continue to work on having 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 held in escrow accounts related to Town debt.
- The Town had numerous posting errors between funds, as recorded in the accounting records.
- The Town uses a separate accounting software program, which does not interface with the Town's general ledger for the recording of joint utility and solid waste billings and collections.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

**Statement of Condition (continued)** – 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. Further, since the Town accounting staff lacks the proper knowledge or training regarding some aspects of the conditions noted, such as the reconciliation of capital assets, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected. The present general ledger accounting software, as utilized by the accounting staff, is incapable of producing reliable fund financial data needed for governmental financial reporting.



**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

**Cause** – The Town’s administrative staff maintains cash basis accounting records and lacks the necessary accounting skills to recognize all the key components of the financial statements that are prepared on the economic resources measurement focus (that includes the accrual basis of accounting), and the current financial resources measurement focus (that 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 has come up with funding for a new software system and is currently in the process of purchasing the system. The Town hopes to have the software in place by early next year. The Town Clerk believes this new software will eliminate a lot of the posting errors between funds as well as other unnecessary errors.

*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 fund, and the water meter deposits. While the Town does a monthly bank reconciliation using its accounting software, they do not reconcile the bank balance to the cash balances, as listed in the general ledger per fund. The reconciled bank balance at June 30, 2016 was \$1,897,637.58, while the general ledger balance was \$1,892,726.59. The difference was \$4,910.99; \$3,467.00 that could be attributed to a transfer, and \$1,443.99 that could not be attributed to a particular fund. 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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

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

**Criteria (continued)**– 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 recommended that the board request a monthly reconciliation for board review.

**Views of Responsible Officials and Planned Corrective Actions** – The Town Clerk has been more conscious of any differences between the general ledger and bank statements. The Town is in the process of purchasing better software so that this issue can be corrected. The Town Clerk is also training the staff to look for such errors before posting so it will not happen. The Town Clerk provides the Mayor and Town Council with a monthly reconciliation during every regular Town meeting.

*Item 2016-001 – Compliance - Travel and Per Diem Act*

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

- One instance where the employee paid for their meals, and the meals of a guest, with the Town's credit card. The guest's meals were \$33.35. The travel occurred in July 2015. The amount due to the Town, after consideration of the partial day per diem of \$21.35 was deducted from the employee's pay check in September 2015.
- One instance where the employee charged \$41.02 for meals for one day. The travel occurred on November 3, 2015; the Town was reimbursed \$11.02 on November 12, 2015.
- One instance where the employee charged \$34.35 for meals for one day. The travel occurred on December 8, 2015. The overcharge of \$4.35 was deducted from the employee's partial day reimbursement on January 8, 2016.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

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

*Item 2016-001 – Compliance - Travel and Per Diem Act (continued)*

**Statement of Condition (continued) –**

- One instance where the employee charged \$8.00 on the Town’s credit card for a fast-food meal while traveling. Upon return, the employee did not produce the itemized receipt; therefore, the \$8.00 was withheld from his partial day reimbursement. The travel occurred from November 29, 2015 through December 4, 2015. The partial day reimbursement was settled on January 14, 2016.
- One instance where the employee used the Town’s credit card to charge \$30.09 for a meal for themselves, and a guest, while traveling after the twenty-four hour period used for partial day calculation had expired. The travel occurred from March 21, 2016 through March 23, 2016. In addition, the employee charged on the Town’s credit card, internet service to the room for the two night stay. The employee reimbursed the Town \$35.99 on May 12, 2016.
- One instance where the employee used the Town’s credit card to charge \$16.71 for a meal while traveling after the twenty-four hour period used for partial day calculation had expired. The travel occurred on January 29, 2016. The \$13.29 was deducted from his partial day reimbursement on February 8, 2016.
- One instance where an elected official charged on the Town’s credit card, \$33.79 for meals for a guest. The elected official had received an 80% advance for estimated mileage and meals. The amount of \$33.79 was deducted from the final settled upon return from overnight travel.
- One instance where an elected official charged on the Town’s credit card \$35.16 for one day’s meals. This amount exceeds the daily limit of \$30.00 by \$5.16. The amount has yet to be collected from the official.
- One instance where the Town had paid \$25.00 for the spouse of an elected official to attend Municipal Day 2016 in Santa Fe. The spouse cancelled, and the Town was reimbursed \$25.00 on February 9, 2016.

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

In particular, Section 2.42.2.10(A) of the Travel and Per Diem regulations states, *“Employee’s (travel) request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals.”*

The Town’s Travel Voucher Per Diem Advances/Reimbursement Request form states, *“The remaining 20% of the per diem amount will be reimbursed to the employee or official upon their return to duty and submission of below request (must be within 5 working days of return).”*

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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

*Item 2016-001 – Compliance - Travel and Per Diem Act (continued)*

**Criteria (continued)** – The creation of a temporary loan, defined as when the employee creates a financial liability for the Town in which the employee is obtaining personal benefits is an act prohibited by Ethical Principals of Public Service. As per Section 10-16-3, NMSA 1978, a legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.

**Effect** – Non-compliance with the state statutes subjects officials and employees to penalties as required by said state statutes.

**Cause** – It is the Town's practice to settle up travel requests, including credit card charges, once the travel is complete.

**Recommendation** – We recommend the New Mexico State Statutes and Administrative Code related to travel and per diem be thoroughly reviewed by the management of the Town. Once a clear understanding is obtained, appropriate procedures should be established, or existing procedures should be adjusted. Such final procedures should then in turn be communicated to all officials and employees of the Town. Finally, consequences to deviations from established policies and procedures should be established and communicate to all officials and employees.

**Views of Responsible Officials and Planned Corrective Actions** – The Town Clerk and Deputy Clerk are very cautious in making sure all employees and elected officials follow the rules of the Travel and Per Diem Act when traveling. The Town Clerk will work with the Mayor and Town Council to establish more thorough procedures for employees and elected officials who travel. The Town Clerk will also make sure that all employees and elected officials who travel understand the procedures and the consequences that will be put in place.

*Item 2016-002 – Compliance - Employee Social Security Withholdings*

**Statement of Condition** – While preparing the reconciliation of wages and the related payroll taxes paid, we discovered the following discrepancies:

- The taxable social security wages of \$110,166.30 differs from the taxable Medicare wages of \$111,490.27 by \$1,323.97, as reported on the federal form 941 for the quarter ending December 31, 2015.
- The taxable social security wages of \$111,928.87 differs from the taxable Medicare wages of \$113,240.87 by \$1,312.00, as reported on the federal form 941 for the quarter ending September 30, 2015.
- One instance where the employee did not have social security taxes withheld from the taxable social security wages for one pay period ending July 30, 2015. The taxable social security wages were \$1,312.00, and the social security taxes would have been \$81.34.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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

*Item 2016-002 – Compliance - Employee Social Security Withholdings (continued)*

**Statement of Condition (continued) –**

- One instance where the employee did not have Medicare taxes withheld from the taxable Medicare wages for the pay period ending 10-8-2015. The taxable Medicare wages were \$1,296.12, and the Medicare taxes would have been \$18.79.
- Two instances where one employee did not have social security taxes withheld from the taxable social security wages for two consecutive pay periods. The taxable social security wages of the first pay period in November 2015 were \$1,176.38, and the social security taxes would have been \$72.94. The taxable wages of the second pay period, also in November, were \$1,443.71, and the social security taxes would have been \$89.51.

**Criteria** – The Federal Insurance Contributions Act (FICA) is the federal law that requires an employer to accurately calculate and withhold three separate taxes from the wages paid to the employees. The first being federal income taxes, and the second and third being FICA that is comprised of: a 6.2 percent Social Security tax, and a 1.45 percent Medicare tax. In addition to the requirements an employer has to withhold federal income and payroll taxes from its employees' wages, it also is required to pay them to the Internal Revenue Service. Withheld payroll taxes are called trust fund taxes because the employer holds the employees' money (federal income taxes and the employee portion of Federal Insurance Contributions Act (FICA) taxes) in trust until a federal tax deposit of that amount is made.

Sec. 6672(a) of the Internal Revenue Code provides that “any person required to collect, truthfully account for, and pay over any tax imposed by” the Internal Revenue Code who willfully fails to do so, will, “in addition to other penalties provided by law, be liable to a penalty equal to the total amount of the tax ... not collected ... and paid over.” The term “any person” is important because Sec. 6672(a) allows the IRS to pierce the corporate veil and proceed against any person who is responsible for the corporation's failure to pay over trust fund taxes, thereby making that person personally liable for the employer's unpaid payroll taxes. Therefore, the penalty can be imposed on any responsible person, regardless of the form of business entity.

**Effect** – Non-compliance with the federal laws and regulations subjects employees to penalties as required by federal law.

**Cause** – Management and Town staff employees failed to review and reconcile payroll prior to the payments to employees, and the submission of payroll taxes and quarterly payroll reports.

**Recommendation** – We recommend the Town management establish procedures to thoroughly reconcile payroll prior to the submission of payroll taxes and payroll reports. Any errors discovered should be adjusted accordingly and on a timely basis.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Item 2016-002 – Compliance - Employee Social Security Withholdings (continued)

**Views of Responsible Officials and Planned Corrective Actions** – The Town Clerk will work with the Payroll Clerk to set in place procedures to thoroughly reconcile payroll prior to the submission of payroll taxes. This procedure will make sure that the Town Clerk and/or Payroll Clerk catch such errors before they are reported. The Town Clerk will seek advice of QuickBooks on how to fix this issue in the future. The Town Clerk in the past did the 941 reporting while the Deputy Clerk was responsible for payroll taxes to the IRS. The Deputy Clerk did notice the error on a payroll tax but not until she was preparing to report to the IRS. The Town is also in the process of purchasing a new accounting software system that will not allow these mishaps to occur.

Item 2016-003 – Compliance - Unsigned Contract to State Auditor

**Statement of Condition** – The Town did not deliver the unsigned audit contract generated by OSA-connect to the state auditor’s office by May 15, 2016.

**Criteria** – As per Section 2.2.2.8(J)(11) of the Audit Rule 2016, local bodies that do not qualify for the tiered system must deliver the unsigned contract generated by OSA-connect to the state auditor’s office by May 15<sup>th</sup>.

**Effect** – Non-compliance with the Audit Rule 2016 delays the efforts of the state auditor’s office to execute timely audit contracts.

**Cause** – Unknown.

**Recommendation** – We recommend the Town management establish procedures to ensure compliance with the Audit Rule.

**Views of Responsible Officials and Planned Corrective Actions** – The Town Clerk was unaware that an unsigned contract needed to be sent to the state auditor by the deadline. The Town Clerk will make sure to be more aware of such deadlines to ensure that the Town stays in compliance with the Audit Rule.

**SECTION II - PRIOR YEAR’S AUDIT FINDINGS**

Item 2012-001 – Material Weakness – Financial Statements Disclosure - In the prior fiscal year, the Town relied on the auditor to prepare its generally accepted accounting principles (GAAP) financial statements. The finding is not considered resolved and is repeated in the current year as item 2012-001.

Item 2012-002 – 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.

**STATE OF NEW MEXICO**  
**TOWN OF HURLEY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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

*Item 2012-006 – 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, has been modified and is repeated in the current year as item 2012-006.

*Item 2009-001 – Legal Compliance with Adopted Budget* – In the prior year, the Town exceeded its approved budget in the fire protection fund. The finding was unique to the prior year and was not repeated in the current year.

**STATE OF NEW MEXICO  
TOWN OF HURLEY  
EXIT CONFERENCE AND  
PREPARATION OF FINANCIAL STATEMENTS  
JUNE 30, 2016**

**EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2016, was discussed during the exit conference held on December 13, 2016. Present for the Town was Freddie Rodriguez, mayor pro-tem; and Lori Ortiz, Town clerk. 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, 2016. 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.