

State of New Mexico

Town of Hurley

**Financial Statements
With Independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2018

Town of Hurley
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June 30, 2018

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Town of Hurley
DIRECTORY OF OFFICIALS
June 30, 2018

ELECTED OFFICIALS

Joseph E. Stevens	Mayor
Richard Maynes, Jr.	Mayor Pro-Tem
Esther Gil	Councilor
Freddie M. Rodriguez	Councilor
Mateo Madrid	Councilor

ADMINISTRATION

Lori Ortiz	Town Clerk-Treasurer
Darlene McBride	Deputy Clerk

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town Council
Town of Hurley
Hurley, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Town of Hurley, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Town of Hurley's basic financial statements 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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's 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 involves 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 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 that 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 Town of Hurley as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 Town of Hurley's financial statements that collectively comprise the Town's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of Town of Hurley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 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 Town of Hurley's internal control over financial reporting and compliance.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Town of Hurley
STATEMENT OF NET POSITION
June 30, 2018

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current:			
Cash and investments	\$ 980,440	\$ 1,384,967	\$ 2,365,407
Receivables, net	54,925	144,249	199,174
Inventory		17,822	17,822
Interfund receivable			-
Total current assets	<u>\$ 1,035,365</u>	<u>\$ 1,547,038</u>	<u>\$ 2,582,403</u>
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 1,898,385	\$ 1,898,385
Capital assets, net	<u>10,777,740</u>	<u>6,416,371</u>	<u>17,194,111</u>
Total noncurrent assets	<u>\$ 10,777,740</u>	<u>\$ 8,314,756</u>	<u>\$ 19,092,496</u>
Total assets	<u>\$ 11,813,105</u>	<u>\$ 9,861,794</u>	<u>\$ 21,674,899</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Current:			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	10,788	8,781	19,569
Accrued liabilities	2,836	3,975	6,811
Interfund payable			-
Interest payable	51	2,912	2,963
Current maturities of long-term debt	<u>11,617</u>	<u>14,245</u>	<u>25,862</u>
Total current liabilities	<u>\$ 25,292</u>	<u>\$ 29,913</u>	<u>\$ 55,205</u>
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 64,267	\$ 64,267
Notes payable	87,969	217,625	305,594
Bonds payable		126,930	126,930
Net pension liability			-

Town of Hurley
STATEMENT OF NET POSITION (concluded)
June 30, 2018

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Compensated absences	\$ 629	\$ 6,323	\$ 6,952
Total noncurrent liabilities	<u>\$ 88,598</u>	<u>\$ 415,145</u>	<u>\$ 503,743</u>
Total liabilities	<u>\$ 113,890</u>	<u>\$ 445,058</u>	<u>\$ 558,948</u>
 DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 NET POSITION			
Net investment in capital assets	\$ 10,678,154	\$ 5,996,294	\$ 16,674,448
Restricted for:			
Capital projects	22,783	1,793,710	1,816,493
Debt service	29,218		29,218
Other purposes	257,440		257,440
Unrestricted	<u>711,620</u>	<u>1,626,732</u>	<u>2,338,352</u>
Total net position	<u><u>\$ 11,699,215</u></u>	<u><u>\$ 9,416,736</u></u>	<u><u>\$ 21,115,951</u></u>

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

Town of Hurley
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 149,543	\$ 4,302	\$ 131,704
Public safety	354,772		99,862
Public works	329,760		66,657
Health and welfare			
Culture-recreation	37,696	4,709	
Unallocated interest expense	505		
Loan issue costs			
Total governmental activities	\$ 872,276	\$ 9,011	\$ 298,223
Business-type activities:			
Cemetary	\$ 1,588	\$ 8,423	\$ -
Joint Utility	533,475	525,418	
Solid waste	127,199	145,836	
Total business-type activities	\$ 662,262	\$ 679,677	\$ -
Total government	\$ 1,534,538	\$ 688,688	\$ 298,223

General revenues:

- Property taxes
- Gross receipts taxes
- Gas taxes
- Motor vehicle taxes
- Franchise taxes
- Fines and forfeitures
- Miscellaneous
- Transfers

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expenses) Revenue
and Changes in Net Position

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
\$ -	\$ (13,537)	\$ -	\$ (13,537)
	(254,910)		(254,910)
228,300	(34,803)		(34,803)
	-		-
	(32,987)		(32,987)
	(505)		(505)
			-
<u>\$ 228,300</u>	<u>\$ (336,742)</u>	<u>\$ -</u>	<u>\$ (336,742)</u>
\$ 61,277	\$ -	\$ 68,112	\$ 68,112
1,614,339		1,606,282	1,606,282
		18,637	18,637
<u>\$ 1,675,616</u>	<u>\$ -</u>	<u>\$ 1,693,031</u>	<u>\$ 1,693,031</u>
<u>\$ 1,903,916</u>	<u>\$ (336,742)</u>	<u>\$ 1,693,031</u>	<u>\$ 1,356,289</u>
	\$ 14,493	\$ -	\$ 14,493
	177,538	4,089	181,627
	5,531		5,531
	3,867		3,867
	25,702		25,702
	41,242		41,242
	12,985	8,213	21,198
	(16,171)	16,171	-
	<u>\$ 265,187</u>	<u>\$ 28,473</u>	<u>\$ 293,660</u>
	\$ (71,555)	\$ 1,721,504	\$ 1,649,949
	<u>11,770,770</u>	<u>7,695,232</u>	<u>19,466,002</u>
	<u>\$ 11,699,215</u>	<u>\$ 9,416,736</u>	<u>\$ 21,115,951</u>

Town of Hurley
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Capital Projects	Other Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 716,537	\$ 698	\$ 263,205	\$ 980,440
Taxes receivable	14,315			14,315
Due from other governments	38,900	1,217		40,117
Bonds receivable			451	451
Interest receivable	34		8	42
Total assets	\$ 769,786	\$ 1,915	\$ 263,664	\$ 1,035,365
Liabilities				
Accounts payable	\$ 2,818	\$ -	\$ 7,970	\$ 10,788
Interfund payable				-
Salaries payable	2,836			2,836
Total liabilities	\$ 5,654	\$ -	\$ 7,970	\$ 13,624
Deferred Inflows of Resources				
Unavailable revenue	\$ 13,207	\$ -	\$ -	\$ 13,207
Total deferred inflows of resources	\$ 13,207	\$ -	\$ -	\$ 13,207
Fund balance:				
Restricted:				
General government	\$ 31,015	\$ -	\$ -	\$ 31,015
Public safety			215,839	215,839
Culture and recreation			10,586	10,586
Public works				-
Health and welfare				-
Debt Service			29,269	29,269
Capital projects	20,868	1,915		22,783
Unassigned	699,042			699,042
Total fund balance	\$ 750,925	\$ 1,915	\$ 255,694	\$ 1,008,534
Total liabilities, deferred inflows of resources and fund balances	\$ 769,786	\$ 1,915	\$ 263,664	\$ 1,035,365

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

Town of Hurley
**RECONCILIATION OF TOTAL GOVERNMENTAL
 FUND BALANCE TO NET POSITION OF
 GOVERNMENTAL ACTIVITIES**

June 30, 2018

Total governmental fund balances	\$	1,008,534
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,777,740
Income received sixty days after year-end is not considered revenue in the fund statements, but is recognized in the governmental activities:		
Property taxes receivable		13,207
Long-term liabilities are not reported in the funds:		
Notes payable		(99,586)
Accrued interest payable		(51)
Compensated absences		(629)
		(100,266)
 <i>Net position of governmental activities</i>	 \$	 <u><u>11,699,215</u></u>

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

Town of Hurley
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2018

	General Fund	Capital Projects	Other Funds	Governmental Funds Total
Revenues:				
Property taxes	\$ 14,611	\$ -	\$ -	\$ 14,611
Gross receipts taxes	177,538			177,538
Motor vehicle taxes	3,867			3,867
Franchise taxes	25,702			25,702
State intergovernmental	360,004	66,657	99,862	526,523
Gas taxes	5,531			5,531
Federal intergovernmental				-
Fines, licenses and permits	2,529		38,713	41,242
Charges for services	4,302		4,709	9,011
Interest	1,562			1,562
Miscellaneous	10,265		1,158	11,423
Total revenues	\$ 605,911	\$ 66,657	\$ 144,442	\$ 817,010
Expenditures:				
Current:				
General government	\$ 117,331	\$ -	\$ -	\$ 117,331
Public safety	223,122		57,574	280,696
Public works	29,930	3,460		33,390
Health and welfare				-
Culture recreation	3,172		30,477	33,649
Debt service:				
Principal	3,505		35,041	38,546
Interest			667	667
Loan issue costs				-
Capital outlay	248,673	85,181	43,572	377,426
Total expenditures	\$ 625,733	\$ 88,641	\$ 167,331	\$ 881,705
Revenues over (under) expenditures	\$ (19,822)	\$ (21,984)	\$ (22,889)	\$ (64,695)
Other financing sources (uses):				
Loan proceeds	15,387			15,387
Transfer in	46,238	32,982	32,087	111,307
Transfer out	(60,913)	(19,478)	(47,087)	(127,478)
Net change in fund balances	\$ (19,110)	\$ (8,480)	\$ (37,889)	\$ (65,479)
Fund balance July 1, 2017	770,035	\$ 10,395	293,583	1,074,013
Fund balance June 30, 2018	<u>\$ 750,925</u>	<u>\$ 1,915</u>	<u>\$ 255,694</u>	<u>\$ 1,008,534</u>

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

Town of Hurley
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**
June 30, 2018

Net change in fund balances-total governmental funds \$ (65,479)

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

Governmental funds report capital outlay as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Capital outlay	377,426
Depreciation expense.	(411,531)

Governmental funds report revenue only if it is collected during the year or received
within 60 days of year-end. However, in the Statement of Activities, revenue is
recognized when earned. This is the net change for the year.

Property taxes	(118)
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Bond and loan proceeds are reported as financing sources
in the funds. In the Statement of Activities, however, issuing
debt increases long-term liabilities.

(15,387)

Repayment of debt is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
Statement of Net Position.

38,546

In the Statement of Activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest expenditure
is reported when due. This is the net change during the year.

162

Some expenses reported in the Statement of Activities, such as
compensated absences, do not require the use of current
financial resources and therefore are not reported as
expenditures in the funds. This is the net change during the year.

4,826

Change in Net Position of Governmental Activities

\$ (71,555)

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

Town of Hurley
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 129,950	\$ 129,950	\$ 186,636	\$ 56,686
State sources	584,616	584,616	133,139	(451,477)
Federal sources				-
Fines, licenses and permits	8,180	8,180	2,529	(5,651)
Charges for services	6,180	6,180	4,302	(1,878)
Miscellaneous	15,400	15,400	11,847	(3,553)
Total revenues	\$ 744,326	\$ 744,326	\$ 338,453	\$ (405,873)
Expenditures:				
Current:				
General government	\$ 152,864	\$ 152,864	\$ 117,052	\$ 35,812
Public safety	294,364	294,364	221,546	72,818
Public works	36,705	36,705	29,930	6,775
Health and welfare				-
Culture recreation	7,500	7,500	3,650	3,850
Principle				-
Interest				-
Capital outlay				-
Total expenditures	\$ 491,433	\$ 491,433	\$ 372,178	\$ 119,255
Revenues over (under) expenditures	\$ 252,893	\$ 252,893	\$ (33,725)	\$ (286,618)
Other financing sources (uses):				
Transfer in	41,000	41,000	46,238	5,238
Transfer out	(15,000)	(15,000)	(60,913)	(45,913)
Net change in fund balance	\$ 278,893	\$ 278,893	\$ (48,400)	\$ (327,293)
Fund balance, July 1, 2017	652,259	652,259	737,504	85,245
Fund balance, June 30, 2018	\$ 931,152	\$ 931,152	\$ 689,104	\$ (242,048)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (19,110)
Revenue accruals (net)				(267,458)
Expenditure accruals (net)				253,555
Other financing sources (net)				(15,387)
Net change in fund balance, NON-GAAP budgetary basis				\$ (48,400)

Town of Hurley
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

Assets	Cemetary	Joint Utility	Solid Waste	Total
Current:				
Cash and investments	\$ 37,986	\$ 1,264,972	\$ 82,009	\$ 1,384,967
Due from other governments	34,695		765	35,460
Inventory		17,822		17,822
Receivables, net of allowances:				
Accounts	4	82,749	26,036	108,789
Taxes				-
Total current assets	\$ 72,685	\$ 1,365,543	\$ 108,810	\$ 1,547,038
Noncurrent assets:				
Restricted:				
Cash and investments	\$ -	\$ 1,898,385	\$ -	\$ 1,898,385
Capital assets (net)	77,110	6,339,261		6,416,371
Total noncurrent assets	\$ 77,110	\$ 8,237,646	\$ -	\$ 8,314,756
Total assets	\$ 149,795	\$ 9,603,189	\$ 108,810	\$ 9,861,794
Deferred Outflows of Resources				
Related to pensions	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable		4,121	4,660	8,781
Accrued liabilities		3,975		3,975
Interfund payable				-
Interest payable		2,912		2,912
Current maturities of long-term debt		14,245		14,245
Total current liabilities	\$ -	\$ 25,253	\$ 4,660	\$ 29,913
Noncurrent liabilities:				
Payable from restricted assets				
Customer deposits	\$ -	\$ 64,267	\$ -	\$ 64,267
Net pension liability		-	-	-
Compensated absences		6,323		6,323
Notes payable		217,625		217,625
Bonds payable		126,930		126,930
Total noncurrent liabilities	\$ -	\$ 415,145	\$ -	\$ 415,145
Total liabilities	\$ -	\$ 440,398	\$ 4,660	\$ 445,058

Town of Hurley
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (concluded)
June 30, 2018

	<u>Cemetery</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Deferred Inflows Of Resources				
Related to pensions	\$ -	\$ -	\$ -	\$ -
Unavailable revenue				-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position				
Net investment in capital assets	\$ 15,833	\$ 5,980,461	\$ -	\$ 5,996,294
Restricted for:				
Debt service				-
Capital projects		1,793,710		1,793,710
Unrestricted	<u>133,962</u>	<u>1,388,620</u>	<u>104,150</u>	<u>1,626,732</u>
Total net position	<u>\$ 149,795</u>	<u>\$ 9,162,791</u>	<u>\$ 104,150</u>	<u>\$ 9,416,736</u>

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

Town of Hurley
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Cemetery</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 8,423	\$ 525,418	\$ 145,836	\$ 679,677
Operating expenses:				
Personnel	\$ -	\$ 193,344	\$ 13,116	\$ 206,460
Operating	1,588	254,952	114,083	370,623
Depreciation		79,702		79,702
Total operating expenses	\$ 1,588	\$ 527,998	\$ 127,199	\$ 656,785
Net operating income	\$ 6,835	\$ (2,580)	\$ 18,637	\$ 22,892
Nonoperating revenue (expense):				
Investment income	\$ -	\$ 863	\$ -	\$ 863
Gross receipts taxes			4,089	4,089
State grants	61,277	1,614,339		1,675,616
Federal grants				-
Miscellaneous revenue		7,350		7,350
Interest expense		(5,477)		(5,477)
Total nonoperating revenue (expense)	\$ 61,277	\$ 1,617,075	\$ 4,089	\$ 1,682,441
Net income before operating transfers	\$ 68,112	\$ 1,614,495	\$ 22,726	\$ 1,705,333
Transfers:				
In	34,695	13,240		47,935
Out		(31,764)		(31,764)
Change in net position	\$ 102,807	\$ 1,595,971	\$ 22,726	\$ 1,721,504
Net position, beginning of year,	46,988	7,566,820	81,424	7,695,232
Net position, end of year	<u>\$ 149,795</u>	<u>\$ 9,162,791</u>	<u>\$ 104,150</u>	<u>\$ 9,416,736</u>

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

Town of Hurley
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	<u>Cemetary</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 8,423	\$ 489,277	\$ 131,130	\$ 628,830
Payments to suppliers	(1,588)	(291,639)	(118,424)	(411,651)
Payments to employees		(191,593)	(14,247)	(205,840)
Net cash provided (used) by operating activities	<u>\$ 6,835</u>	<u>\$ 6,045</u>	<u>\$ (1,541)</u>	<u>\$ 11,339</u>
Cash flows from noncapital financing activities:				
Dedicated tax receipts	\$ -	\$ -	\$ 4,151	\$ 4,151
Intergovernmental grants	31,572	\$ 1,614,339		1,645,911
Collections of notes receivable				-
Interfund activity				-
Miscellaneous collections		7,350		7,350
Transfers from other funds	34,695			34,695
Transfers to other funds		(15,956)		(15,956)
Net cash provided (used) by noncapital financing activities	<u>\$ 66,267</u>	<u>\$ 1,605,733</u>	<u>\$ 4,151</u>	<u>\$ 1,676,151</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	\$ (61,277)	\$ -	\$ -	\$ (61,277)
Borrowings on capital debt		179,371		179,371
Principal paid on capital debt				-
Interest paid on capital debt				-
Net cash provided (used) by capital and related financing activities	<u>\$ (61,277)</u>	<u>\$ 179,371</u>	<u>\$ -</u>	<u>\$ 118,094</u>
Cash flows from investing activities:				
Earnings on investments	\$ -	\$ 863	\$ -	\$ 863
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 863</u>	<u>\$ -</u>	<u>\$ 863</u>
Net increase (decrease) in cash and equivalents	\$ 11,825	\$ 1,792,012	\$ 2,610	\$ 1,806,447
Cash and equivalents, beginning of year	<u>26,161</u>	<u>1,371,345</u>	<u>79,399</u>	<u>1,476,905</u>
Cash and equivalents, end of year	<u>\$ 37,986</u>	<u>\$ 3,163,357</u>	<u>\$ 82,009</u>	<u>\$ 3,283,352</u>

Town of Hurley
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)
For the Fiscal Year Ended June 30, 2018

	<u>Cemetary</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 6,835	\$ (2,580)	\$ 18,637	\$ 22,892
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense		79,702		79,702
(Increase) decrease in:				
Receivables, net		(36,141)	(14,706)	(50,847)
Inventory		(4,834)		(4,834)
Increase (decrease) in:				
Accounts payable		(32,733)	(4,341)	(37,074)
Accrued expenses		(1,132)	(1,033)	(2,165)
Customer deposits		3,167		3,167
Compensated absences		596	(98)	498
Net cash provided (used) by operating activities	<u>\$ 6,835</u>	<u>\$ 6,045</u>	<u>\$ (1,541)</u>	<u>\$ 11,339</u>

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

Town of Hurley
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 Summary of Significant Accounting Policies

A. GENERAL

Town of Hurley, a political subdivision of the State of New Mexico, operates under the Council-mayor form of government. The Town provides the following authorized services: public safety, highways and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments, through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. FINANCIAL REPORTING ENTITY

The Town's basic financial statements include the accounts of all Town operations. The criteria for include organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town.

Based on the aforementioned criteria, the Town has no component units.

C. BASIS OF PRESENTATION

Governmental-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are not allocated, but are presented as separate functions. Program revenues include charges paid by recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which a program or business segment is self-financing or draws from the general revenues of the Town.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general obligation bonds of the Town other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the Town's general obligation bonds. The Town currently has one general obligation bonds outstanding.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major Funds

These funds classified as major are as follows:

General – accounts for all activities except those accounted for in other funds.

Non-major Funds

Fund description for all funds are included in the “Other Supplementary Information” section of this report.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item “b” below:

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position,

and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from non-exchange transactions are recognized when the earnings process is complete. Proprietary fund equity is classified as net position.

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived tax revenues are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Revenues that are not available are recorded as deferred outflows of resources. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

All proprietary funds and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. BUDGETS

Budgets for the General, Special Revenue, Capital Projects, and Enterprise Funds are prepared by management and approved by the local governing body and the New Mexico Department of Finance and Administration.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a by 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 Council approval. If a transfer between “funds” or a budget increase is required, approval must also 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.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Position, “cash and investments’ includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer’s investment pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Town. The pledged securities remain in the name of the financial institution.

G. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term inter-fund loans are reported as “inter-fund receivables or payables”. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivable balances for the governmental activities include gross receipts and use taxes, franchise taxes, and grants. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as gross receipts tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

I. CAPITAL ASSETS

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or

proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings 25-50 years
- Improvements 10-50 years
- Machinery and Equipment 03-10 years
- Infrastructure 25-75 years
- Software and Library 5-10 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Assets acquired with an original cost of \$5,000 or more are capitalized. Construction period interest is capitalized in proprietary funds.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has no deferred outflows at June 30, 2018.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has deferred inflows related to revenue not collected within 60 days of \$13,207 in the fund statements.

K. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets acquired with the debt are used in governmental fund operations or proprietary fund

operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

L. COMPENSATED ABSENCES

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The Town has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Town Council establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Council. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures are normally made from the most highly constrained group first.

N. REVENUES, EXPENDITURES, AND EXPENSES

Gross Receipts Tax

The Town levies a gross receipts tax on taxable gross receipts within the Town. The rate includes both Town and State assessments. The tax is collected by the New Mexico Taxation and Revenue Department and remitted to the Town in the month following receipt by the Department. The Department receives the tax one month after collection by vendors. Included in this tax is amounts dedicated to intercept agreements, and those dedicated amounts are recorded directly in those funds.

Gross receipts tax collected by the State in June and July (which represent May and June transactions) and received by the Town in July and August have been accrued and are included under the caption “Taxes Receivable”.

Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. Because the Treasurer of the County in which the Town is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the Town.

The Town is permitted to levy taxes for general operating purposes based on a state formula, per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bond principal and interest in amounts

approved by voters of the Town. The Town's total tax rate to finance general government services for the year ended June 30, 2018 was \$1.185 per \$1,000 for non-residential property and \$1.296 for residential property. The Town's tax rate for debt service was \$.00 per \$1,000 for both residential and nonresidential property.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year-end are reported as deferred inflows of resources in the fund statements.

Operating Revenues and Expenses

Operating revenue of governmental funds includes fees to users and license fees. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific appropriations.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Fund – By Character: Current (further classified by function)
 Debt Service
 Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

The Town first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The Town does not allocate indirect costs.

O. INTER-FUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. INVENTORY

Inventories are stated at cost measured by the first-in first-out method, and consist mainly of consumable supplies.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the Governments deposits may not be returned to it. The Town does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2018, \$-0- of the Town's bank balance of \$2,438,574 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		\$ <u>-0-</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the Town 's name	2,188,574	2,165,367
Uninsured and uncollateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 2,438,574</u>	<u>\$ 2,415,367</u>

The Town does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, loan proceeds or payments made by the Town but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$1,843,846.

The Town invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested.

Investments are valued at amortized cost.

Participation in the pool is voluntary. The Town has \$4,578 on deposit in the pool at June 30, 2018, which is AAAM rated with a weighted average maturity of 50 days WAM(R) and 100 days WAM(F).

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net)	\$ -0-	\$ 108,789
Franchise tax	\$ 5,241	\$
Property taxes	1,108	
Gross receipts tax	7,316	
MVD Gas Tax	<u>650</u>	<u> </u>
Total taxes receivable	<u>\$ 14,315</u>	<u>\$ -0-</u>
Intergovernmental grants	<u>\$ 40,117</u>	<u>\$ 35,460</u>
Bonds receivable	\$ 451	\$
Interest receivable	<u>42</u>	<u> </u>
Total miscellaneous receivable	<u>\$ 493</u>	<u>\$</u>
Total	<u>\$ 54,925</u>	<u>\$ 144,249</u>

The Town believes all receivables are collectible, therefore, no allowance for doubtful accounts has been established.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,247	\$ -0-	\$ -0-	\$ 1,247
Construction in pro- gress	<u>-0-</u>	<u>333,854</u>	<u>180,508</u>	<u>153,346</u>
Total capital assets				

not being depreciated	\$ 1,247	\$ 333,854	\$ 180,508	\$ 154,593
Capital assets being depreciated:				
Buildings/Improvements/Infrastructure	\$14,145,718	\$ 180,508	\$	\$ 14,326,226
Equipment/vehicles/machinery	<u>1,145,322</u>	<u>43,572</u>	<u> </u>	<u>1,188,894</u>
Total capital assets being depreciated	\$ 15,291,040	\$ 224,080	\$ -0-	\$ 15,515,120
Less accumulated depreciation for:				
Buildings/Improvements/Infrastructure	\$ (3,630,114)	\$ (372,865)	\$	\$ (4,002,979)
Equipment/vehicles/machinery	<u>(850,328)</u>	<u>(38,666)</u>	<u> </u>	<u>(888,994)</u>
Total accumulated depreciation	\$ (4,480,442)	\$ (411,531)	\$ -0-	\$ (4,891,973)
Total capital assets being depreciated, net	\$ 10,810,598	\$ (187,451)	\$ -0-	\$ 10,623,147
Governmental activity, capital assets, net	\$ 10,811,845	\$ 146,403	\$ 180,508	\$ 10,777,740

Other business-type activity programs:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land and land improvements	\$ 13,317	\$ -0-	\$ -0-	\$ 13,317
Construction in progress	<u>817,384</u>	<u>61,277</u>	<u> </u>	<u>878,661</u>
Total capital assets not being depreciated	\$ 830,701	\$ 61,277	\$ -0-	\$ 891,978
Capital assets being depreciated:				
Equipment	\$ 445,077	\$	\$	\$ 445,077
Buildings/Improvements	371,164			371,164
Infrastructure	<u>7,089,376</u>	<u> </u>	<u> </u>	<u>7,089,376</u>

Total capital assets

being depreciated	\$ 7,905,617	\$ -0-	\$ -0-	\$ 7,905,617
Less accumulated depreciation:				
Equipment	\$ (373,425)	\$ (16,191)	\$	\$ (389,616)
Buildings/Improvements	(183,235)	(14,191)		(197,426)
Infrastructure	<u>(1,744,862)</u>	<u>(49,320)</u>		<u>(1,794,182)</u>
Total accumulated depreciation	\$ (2,301,522)	\$ (79,702)	\$ -0-	\$ (2,381,224)
Total capital assets being depreciated, net	\$ 5,604,095	\$ (79,702)	\$ -0-	\$ 5,524,393
Other business-type activity programs capital assets, net	\$ 6,434,796	\$ (18,425)	\$ -0-	\$ 6,416,371

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 37,038
Public Safety	74,076
Public Works	296,370
Culture-recreation	<u>4,047</u>
	\$ <u>411,531</u>

Note 5 Accrued Expenses

At June 30, 2018, accrued expenses consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accruals payroll and benefits	\$ 2,836	\$ 3,975
	<u>\$ 2,836</u>	<u>\$ 3,975</u>

Note 6 Long-Term Debt

Changes in governmental activities long-term debt is as follows:

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Notes payable	\$ 122,745	\$ 15,387	\$ 38,546	\$ 99,586	\$ 11,617

Law Enforcement – This loan is for police vehicles, and the loan balance is \$24,615 at June 30, 2018. The loan is secured by State Law Enforcement Allocations. The revenues pledged totaled \$25,251 at June 30, 2018, which is 41% of allocations at their current rate. Interest rates range from .94% to 1.39%, and maturity dates range from 2019-2021. During the year ended June 30, 2018, the Town recognized \$20,600 in pledged revenues, and retired \$7,529 in loan principal and interest.

Road Improvements – These loans are for street improvements, and the loans total \$74,971 at June 30, 2018. The loans are secured by gross receipts tax revenue. The revenues pledged totaled \$74,971 at June 30, 2018, which is 25% of gross receipts tax revenues at their current rate. The loans are without interest, and maturity dates range from 2019 through 2039. During the year ended June 30, 2018, the town recognized \$14,535 in pledged revenues, and retired \$3,505 in loan principal.

Business-Type Activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Rev Bond 2009	\$ 130,790	\$	\$ 1,890	\$ 128,900	\$ 1,970
NMFA	3,708		333	3,375	334
NMFA	5,956		373	5,583	373
NMFA	44,170		2,599	41,571	2,599
NMFA	<u> </u>	<u>179,371</u>	<u> </u>	<u>179,371</u>	<u>8,969</u>
	<u>\$ 184,624</u>	<u>\$ 179,371</u>	<u>\$ 5,195</u>	<u>\$ 358,800</u>	<u>\$ 14,245</u>

Series 2008 and 2010 Revenue Bonds – These bonds were issued to make improvements to the Town Water and Sewer systems. The bonds are secured by water and sewer system revenues, and bear interest at 4.25%. These revenues pledged total \$238,125 at June 30, 2018, which is 1.4% of revenues at the current rate. Maturity dates range from 2018 through 2051. During the year ended June 30, 2018, the Town recognized \$525,418 in pledged revenues, and retired \$7,449 in bond principal and interest.

NMFA Loans – These loans were obtained to make improvements to the water and sewer systems. The loans are secured by water and sewer system revenues, and bear interest at 0%. The revenues pledged totaled \$229,900 at June 30, 2018, which is 2.7% of revenues at their current rate. Maturity dates range from 2019 to 2034. During the year ended June 30, 2018, the Town recognized \$525,418 in pledged revenues, and retired \$3,305 in loan principal.

The annual debt service requirements are as follows:

	<u>Governmental Activities</u>		<u>Proprietary Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Due in year ending:				
2019	\$ 11,617	\$ 305	\$ 14,245	\$ 5,478
2020	12,476	216	14,326	5,395

2021	12,577	115	14,414	5,307
2022	4,275		14,505	5,216
2023	4,275		14,596	5,122
2024-2028	21,372		74,563	24,042
2029-2033	21,370		75,921	20,995
2034-2039	10,854		67,430	17,240
2040-2044	770		24,600	12,616
2045-2049			30,300	6,924
2050-2053			13,900	890
	<u>\$ 99,586</u>	<u>\$ 636</u>	<u>\$ 358,800</u>	<u>\$ 109,225</u>

Compensated absences in governmental activities were as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 5,455</u>	<u>\$ 9,108</u>	<u>\$ 13,934</u>	<u>\$ 629</u>	<u>\$ -0-</u>

Compensated absences in Proprietary Funds were as follows during the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 5,825</u>	<u>\$ 8,503</u>	<u>\$ 8,005</u>	<u>\$ 6,323</u>	<u>\$ -0-</u>

All compensated absences are considered non-current. Compensated absences are paid out of the fund that salaries for the respective employee are paid out of provided there are funds available. Otherwise, they are paid out of the general fund.

Note 7 Pension Plan – Public Employees Retirement Association

The Town started its participation during the 2017-2018 fiscal year. For the year ending June 30, 2019 the Town will be required to recognize its proportionate share of the PERA net pension liability.

Note 8 Retiree Health Care Act Contributions

The Town does not participate in the Retiree Health Care Act.

Note 9 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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 10 Future Commitments

The Town has contracts and grant awards for construction projects in various stages of completion. Such contracts, funded principally by federal and state agencies, constitute future commitments, and approximate \$1,700,000 at June 30, 2018.

Note 11 Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other agencies in the State and obtained insurance through the New Mexico Self Insurers Fund, a public 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 Insurers Fund for its general insurance coverage. No losses in excess of insurance coverage have been experienced.

Note 12 Expenditures in Excess of Budgetary Authority

The Town incurred no expenditures in excess of budgetary authority.

Note 13 Fund Balance Deficits

The Town had no fund balance deficits at June 30, 2018.

Note 14 Inter-fund Activity

The Town had no inter-fund balances at June 30, 2018.

Inter-fund transfers were as follows during the year ended June 30, 2018:

<u>Transfers To</u>	<u>Transfers From</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Other Funds</u>	<u>Joint Utilities</u>	
General	\$	\$	\$ 46,238	\$	\$ 46,238
Capital Projects	1,218			31,764	32,982
Other Funds	31,238		849		32,087

Cemetery	28,457	6,238			34,695
Joint Utility	<u> </u>	<u>13,240</u>	<u> </u>	<u> </u>	<u>13,240</u>
	<u>\$ 60,913</u>	<u>\$ 19,478</u>	<u>\$ 47,087</u>	<u>\$ 31,764</u>	<u>\$ 159,242</u>

The transfers were made to fund construction projects and provide operating funds.

Note 15 Restricted Net Position

Net position restricted for other purposes consist of fund balances which are restricted by legislation to specific purposes. The restricting legislation is listed in the fund descriptions appearing at the beginning of Other Supplementary Information. Major restrictions are as follows:

General	\$ 31,015
Fire	88,432
Municipal Streets	10,357
Corrections	123,272
Other	<u>4,364</u>
	<u>\$ 257,440</u>

The Town reports \$2,103,151 in restricted assets, of which \$2,103,151 is restricted by enabling legislation.

Note 16 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, 2017 was \$3,857.

Note 17 Evaluation of Subsequent Events

The Town has evaluated subsequent events through December 12, 2018, the date which the financial statements were available to be issued.

Note 18 Tax Abatement Disclosures

The Town has no need to make any tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.

SPECIAL REVENUE FUNDS

Correction Fees – to account for the fees collected by the Municipal Judge, which are legally restricted to expenditures for jail related costs. The fund was established by Town ordinance in order to comply with Section 35-14-11, NMSA 1978.

Fire Protection – to account for the proceeds of the State fire allotment, and the expenditures for public safety therefrom. 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.

EMS Grant – to account for the State Emergency Medical Services grant, to be used for specific medical services provided through fire department activities. The 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.

Law Enforcement Protection – to account 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.

Lodger's Tax – to account 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 used of the tax for advertising, publicizing and promoting tourist-related attractions, facilities and events.

Recreation – to account 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.

BUSINESS TYPE FUNDS

Joint Utility – 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.

Solid Waste – to account 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.

NON-MAJOR FUND

Cemetery – to account 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.

Town of Hurley
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	Special Revenue Funds		
	Corrections	EMS	Fire Protection
Assets			
Cash and investments	\$ 123,064	\$ 234	\$ 123,645
Interest receivable	8		
Interfund receivable			
Bonds receivable	451		
Total assets	\$ 123,523	\$ 234	\$ 123,645
Liabilities			
Accounts payable	\$ 251	\$ -	\$ 5,944
Interfund payable			
Total liabilities	\$ 251	\$ -	\$ 5,944
Deferred Inflows of Resources			
Unavailable revenue	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -
Fund balances:			
Restricted:			
Public safety	\$ 123,272	\$ 234	\$ 88,432
Culture and recreation			
Public works			
Health and Welfare			
Debt service			29,269
Capital Projects			
Unassigned			
Total fund balance	\$ 123,272	\$ 234	\$ 117,701
Total liabilities, deferred inflows of resources and fund balance	\$ 123,523	\$ 234	\$ 123,645

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

<u>Law Enforcement Protection</u>	<u>Lodgers Tax</u>	<u>Recreation</u>	<u>Total</u>
\$ 3,901	\$ 229	\$ 12,132	\$ 263,205 8 -
			451
<u>\$ 3,901</u>	<u>\$ 229</u>	<u>\$ 12,132</u>	<u>\$ 263,664</u>
\$ -	\$ -	\$ 1,775	\$ 7,970 -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,775</u>	<u>\$ 7,970</u>
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,901	\$ - 229	\$ - 10,357	\$ 215,839 10,586 - -
			29,269 -
<u>\$ 3,901</u>	<u>\$ 229</u>	<u>\$ 10,357</u>	<u>\$ 255,694</u>
<u>\$ 3,901</u>	<u>\$ 229</u>	<u>\$ 12,132</u>	<u>\$ 263,664</u>

Town of Hurley
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2018

	Special Revenue Funds				
	Corrections	EMS	Fire Protection	Law Enforcement Protection	Lodgers Tax
Revenues:					
GRT Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes					
Charges for services					
State sources			79,262	20,600	
Federal sources					
Fines, licenses and permits	38,713				
Miscellaneous	379		613	166	
Total revenues	\$ 39,092	\$ -	\$ 79,875	\$ 20,766	\$ -
Expenditures:					
Current:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	7,383		37,700	12,491	
Public works					
Health and welfare					
Culture recreation					930
Debt service:					
Principal			27,845	7,196	
Interest			334	333	
Loan issue costs					
Capital outlay				43,572	
Total expenditures	\$ 7,383	\$ -	\$ 65,879	\$ 63,592	\$ 930
Revenues over (under) expenditures	\$ 31,709	\$ -	\$ 13,996	\$ (42,826)	\$ (930)
Other financing sources (uses):					
Transfer in	7,087				
Transfer out	(47,087)				
Loan proceeds					
Net change in fund balance	\$ (8,291)	\$ -	\$ 13,996	\$ (42,826)	\$ (930)
Fund balance, July 1, 2017	131,563	234	103,705	46,727	1,159
Fund balance, June 30, 2018	\$ 123,272	\$ 234	\$ 117,701	\$ 3,901	\$ 229

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

Recreation	Total
\$ -	\$ -
4,709	4,709
	99,862
	-
	38,713
	1,158
\$ 4,709	\$ 144,442
\$ -	\$ -
	57,574
	-
	-
29,547	30,477
	35,041
	667
	-
	43,572
\$ 29,547	\$ 167,331
\$ (24,838)	\$ (22,889)
25,000	32,087
	(47,087)
	-
\$ 162	\$ (37,889)
10,195	293,583
\$ 10,357	\$ 255,694

Town of Hurley
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2018

	First American	Total
Checking and CD's	\$ 2,438,574	\$ 2,438,574
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 2,188,574	\$ 2,188,574
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 1,094,287	\$ 1,094,287
Pledged Securities:		
FHLB Questa ISD Cusip #748352CR0 9/1/18	\$ 165,459	\$ 165,459
FHLB Hobbs SD Cusip #433866EL0 9/15/27	251,103	251,103
FHLB Alamogordo NM Cusip 011446FS5 8/1/19	205,452	205,452
FHLB Albuquerque SD Cusip 013595LM3 8/1/22	102,703	102,703
FHLB Deming PS Cusip 550340EB5 8/1/24	760,973	760,973
FHLB Los Lunas SD Cusip 545562QZ6 7/15/25	825,536	825,536
FHLB Dona Ana Co NM Cusip 257579CZ3 9/1/27	394,929	394,929
Total pledged securities	\$ 2,706,155	\$ 2,706,155
Pledged securities over (under) requirement	\$ 1,611,868	\$ 1,611,868

Securities pledged are held by First American Bank, Artesia, NM.
 Safekeeping receipts are held by the Town.

Town of Hurley
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2018

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First American</u>			
General	Checking	\$ 1,950,185	\$ 1,926,982
Water deposits	Checking	64,267	64,263
CDBG	Checking	-	-
Construction	Checking	697	697
Wastewater reserve	Checking	40,408	40,408
Municipal court	Checking	511	511
Corrections	CD	22,855	22,855
Water fund	CD	67,739	67,739
Cemetary	CD	11,605	11,605
Water deposits	CD	29,013	29,013
Water fund	CD	114,196	114,196
General	CD	137,098	137,098
		<u>\$ 2,438,574</u>	<u>\$ 2,415,367</u>
<u>LGIP</u>			
Water fund	LGIP	\$ 1,738	\$ 1,738
General	LGIP	2,840	2,840
		<u>\$ 4,578</u>	<u>\$ 4,578</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	\$ 1,843,846	\$ 1,843,846
Cash on hand			<u>\$ -</u>
		<u>\$ 4,286,998</u>	<u>\$ 4,263,791</u>

Town of Hurley
SCHEDULE OF JOINT POWERS AGREEMENTS
For the Fiscal Year Ended June 30, 2018

Joint Wastewater Plant Agreement

Participants	Village of Santa Clara City of Bayard Fort Bayard Special District Town of Hurley
Responsible party	City of Bayard
Description	Operation and maintenance of joint use sewer system
Dates of agreement	Agreement began September 11, 1963 and remains in effect until cancelled by the participating governments
Amount of project	Varies
Audit responsibility	City of Bayard
Fiscal agent	City of Bayard

Town of Hurley
SCHEDULE OF LEGISLATIVE ALLOCATIONS
June 30, 2018

	Community Center Improvements <u>16-A2437</u>	Special Appropriation Water System Improvements SAP 16-A2263	Cemetery Improvements <u>18-C4061</u>
Original appropriation	\$ 75,000	\$ 100,000	\$ 100,000
Additions/Deletions	-	-	-
Amended appropriation	<u>\$ 75,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Expended through June 30, 2018	\$ 42,206	\$ 98,296	\$ 76,945
Encumbrances	-	-	-
Total committed	<u>\$ 42,206</u>	<u>\$ 98,296</u>	<u>\$ 76,945</u>
Project expiration date	6/30/2020	6/30/2020	6/30/2021

Town of Hurley
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Findings – Financial Statement Audit	<u>Current Status</u>
2012-001 Financial statements prepared by auditor	Resolved
2012-002 Not all transactions recorded in general ledger	Resolved
2012-006 Cash in bank does not balance to general ledger	Resolved
2016-001 Per Diem and Mileage act violated	Resolved

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, State Auditor
And
Mayor and Town Council
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 comparisons for the general fund of Town of Hurley as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Hurley's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Hurley'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 Town of Hurley's internal control.

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 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. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Hurley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as item 2018-001.

Town of Hurley's Responses to Findings

Town of Hurley'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 subject 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico
December 12, 2018

Stone, McGee & Co.
Certified Public Accountants

Town of Hurley
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2018

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Town of Hurley.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Town of Hurley, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Town of Hurley expended less than \$750,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 Completion of Payroll Documents (Other Noncompliance)

Condition – In a total of 12 payroll files tested, we noted 8 instances where the I-9 documentation was incomplete.

Criteria – Federal regulations require that documentation be maintained regarding employee citizenship and authorization for withholding on each employee.

Effect – Federal regulations have been violated, and the Town has exposed itself to possible significant penalties if a federal agency audit is conducted.

Cause – The Town has not performed a review of its personnel files to ensure that all required information has been obtained.

Recommendation – The Town should conduct a review of all current employee files to ensure that the proper documentation is on file for each employee, and develop a process to ensure that new hires provide the required information.

Agency Response – The recommendation will be adopted, and the Clerk-Treasurer will be responsible for overseeing the receipt of appropriate documentation. The process has already begun, and it is expected to be complete by December 31, 2018.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s. However, the management of Town of Hurley has acknowledged its responsibility for the financial statements and has taken responsibility for them.

EXIT CONFERENCE

The contents of this report were discussed December 10, 2018. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Joseph E. Stevens	Mayor	Town of Hurley
Lori Ortiz	Clerk/Treasurer	Town of Hurley
Darlene McBride	Deputy Clerk	Town of Hurley
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs