

State of New Mexico

**Town of Hurley**

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

For the Fiscal Year Ended June 30, 2019

Town of Hurley  
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 June 30, 2019

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Town of Hurley  
**DIRECTORY OF OFFICIALS**  
June 30, 2019

**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.

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## INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., 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 and major special revenue funds of Town of Hurley, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that information related to the Town's pension plan presented on pages 43 to 45 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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, 2019, 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, 2019

**Stone, McGee & Co.**  
Certified Public Accountants

Town of Hurley  
**STATEMENT OF NET POSITION**  
June 30, 2019

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and investments	\$ 1,313,214	\$ 1,401,949	\$ 2,715,163
Receivables, net	81,112	131,253	212,365
Inventory		24,088	24,088
Interfund receivable		34,695	34,695
	\$ 1,394,326	\$ 1,591,985	\$ 2,986,311
Total current assets			
Noncurrent assets:			
Restricted:			
Cash and investments	\$ -	\$ 1,845,525	\$ 1,845,525
Capital assets, net	10,422,361	8,161,142	18,583,503
	\$ 10,422,361	\$ 10,006,667	\$ 20,429,028
Total noncurrent assets			
	\$ 11,816,687	\$ 11,598,652	\$ 23,415,339
Total assets			
	\$ 11,816,687	\$ 11,598,652	\$ 23,415,339
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	\$ 97,998	\$ 101,997	\$ 199,995
	\$ 97,998	\$ 101,997	\$ 199,995
<b>LIABILITIES</b>			
Current:			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	7,141	1,791,419	1,798,560
Accrued liabilities	3,662	3,812	7,474
Interfund payable	34,695		34,695
Interest payable	36	2,867	2,903
Current maturities of long-term debt	12,476	14,326	26,802
	\$ 58,010	\$ 1,812,424	\$ 1,870,434
Total current liabilities			
Noncurrent:			
Payable from restricted assets:			
Customer deposits	\$ -	\$ 71,069	\$ 71,069
Notes payable	75,493	214,318	289,811
Bonds payable		124,880	124,880
Net pension liability	112,499	117,090	229,589



Town of Hurley  
**STATEMENT OF NET POSITION (concluded)**  
June 30, 2019

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Compensated absences	\$ 3,789	\$ 6,750	\$ 10,539
Total noncurrent liabilities	<u>\$ 191,781</u>	<u>\$ 534,107</u>	<u>\$ 725,888</u>
Total liabilities	<u>\$ 249,791</u>	<u>\$ 2,346,531</u>	<u>\$ 2,596,322</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>  			
Related to pensions	<u>\$ 3,601</u>	<u>\$ 3,747</u>	<u>\$ 7,348</u>
 <b>NET POSITION</b>  			
Net investment in capital assets	\$ 10,334,392	\$ 7,005,902	\$ 17,340,294
Restricted for:			
Capital projects	10,748	1,774,456	1,785,204
Debt service			-
Other purposes	336,815		336,815
Unrestricted	<u>979,338</u>	<u>570,013</u>	<u>1,549,351</u>
Total net position	<u><u>\$ 11,661,293</u></u>	<u><u>\$ 9,350,371</u></u>	<u><u>\$ 21,011,664</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, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 165,362	\$ 5,483	\$ 344,389
Public safety	405,215		102,333
Public works	322,256		
Health and welfare			
Culture-recreation	27,862	3,746	
Unallocated interest expense	290		
Loan issue costs			
Total governmental activities	\$ 920,985	\$ 9,229	\$ 446,722
Business-type activities:			
Cemetary	\$ 4,367	\$ 4,400	\$ -
Joint Utility	684,906	557,323	
Solid waste	124,255	137,618	
Total business-type activities	\$ 813,528	\$ 699,341	\$ -
Total government	\$ 1,734,513	\$ 708,570	\$ 446,722

General revenues:  
Property taxes  
Gross receipts taxes  
Gas taxes  
Motor vehicle taxes  
Franchise taxes  
Fees, fines and forfeitures  
Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year as originally reported

Restatement

Net position, beginning of year as restated

Change in net position

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>
\$ -	\$ 184,510	\$ -	\$ 184,510
	(302,882)		(302,882)
82,453	(239,803)		(239,803)
	-		-
	(24,116)		(24,116)
	(290)		(290)
			-
<u>\$ 82,453</u>	<u>\$ (382,581)</u>	<u>\$ -</u>	<u>\$ (382,581)</u>
\$ 22,950	\$ -	\$ 22,983	\$ 22,983
		(127,583)	(127,583)
		13,363	13,363
<u>\$ 22,950</u>	<u>\$ -</u>	<u>\$ (91,237)</u>	<u>\$ (91,237)</u>
<u>\$ 105,403</u>	<u>\$ (382,581)</u>	<u>\$ (91,237)</u>	<u>\$ (473,818)</u>
	\$ 67,116	\$ -	\$ 67,116
	197,007		197,007
	6,216	4,577	10,793
	3,900		3,900
	26,819		26,819
	27,639		27,639
	10,285	14,387	24,672
	<u>\$ 338,982</u>	<u>\$ 18,964</u>	<u>\$ 357,946</u>
	<u>\$ (43,599)</u>	<u>\$ (72,273)</u>	<u>\$ (115,872)</u>
	\$ 11,699,215	\$ 9,416,736	\$ 21,115,951
	<u>5,677</u>	<u>5,908</u>	<u>11,585</u>
	\$ 11,704,892	\$ 9,422,644	\$ 21,127,536
	<u>(43,599)</u>	<u>(72,273)</u>	<u>(115,872)</u>
	<u>\$ 11,661,293</u>	<u>\$ 9,350,371</u>	<u>\$ 21,011,664</u>

Town of Hurley  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2019

	General Fund	Fire Protection	Other Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,033,347	\$ 123,319	\$ 156,548	\$ 1,313,214
Taxes receivable	33,781			33,781
Due from other governments	47,280			47,280
Bonds receivable				-
Interest receivable	32		19	51
	<u>32</u>		<u>19</u>	<u>51</u>
Total assets	<u>\$ 1,114,440</u>	<u>\$ 123,319</u>	<u>\$ 156,567</u>	<u>\$ 1,394,326</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,753	\$ 182	\$ 5,206	\$ 7,141
Interfund payable	34,695			34,695
Salaries payable	3,662			3,662
	<u>3,662</u>			<u>3,662</u>
Total liabilities	<u>\$ 40,110</u>	<u>\$ 182</u>	<u>\$ 5,206</u>	<u>\$ 45,498</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ 31,654	\$ -	\$ -	\$ 31,654
	<u>31,654</u>	<u>-</u>	<u>-</u>	<u>31,654</u>
Total deferred inflows of resources	<u>\$ 31,654</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,654</u>
<b>Fund balance:</b>				
<b>Restricted:</b>				
General government	\$ 63,015	\$ -	\$ -	\$ 63,015
Public safety		123,137	141,714	264,851
Culture and recreation			8,949	8,949
Public works				-
Health and welfare				-
Debt Service				-
Capital projects	10,050		698	10,748
Unassigned	969,611			969,611
	<u>969,611</u>			<u>969,611</u>
Total fund balance	<u>\$ 1,042,676</u>	<u>\$ 123,137</u>	<u>\$ 151,361</u>	<u>\$ 1,317,174</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,114,440</u>	<u>\$ 123,319</u>	<u>\$ 156,567</u>	<u>\$ 1,394,326</u>

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, 2019

Total governmental fund balances	\$	1,317,174
 <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.		10,422,361
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		31,654
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred inflows of resources related to pensions		(3,601)
Deferred outflows of resources related to pensions		97,998
Long-term liabilities are not reported in the funds:		
Notes payable		(87,969)
Net pension liability		(112,499)
Accrued interest payable		(36)
Compensated absences		(3,789)
		(3,789)
 <i>Net position of governmental activities</i>	 \$	 <u><u>11,661,293</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, 2019

	General Fund	Fire Protection	Other Funds	Governmental Funds Total
Revenues:				
Property taxes	\$ 48,669	\$ -	\$ -	\$ 48,669
Gross receipts taxes	197,007			197,007
Motor vehicle taxes	3,900			3,900
Franchise taxes	26,819			26,819
State intergovernmental	427,060	80,915	21,200	529,175
Gas taxes	6,216			6,216
Federal intergovernmental				-
Fines, licenses and permits	7,035		20,604	27,639
Charges for services	5,483		3,746	9,229
Interest	1,446			1,446
Miscellaneous	8,704		135	8,839
<b>Total revenues</b>	<b>\$ 732,339</b>	<b>\$ 80,915</b>	<b>\$ 45,685</b>	<b>\$ 858,939</b>
Expenditures:				
Current:				
General government	\$ 119,754	\$ -	\$ -	\$ 119,754
Public safety	224,232	75,479	14,172	313,883
Public works	27,314			27,314
Health and welfare				-
Culture recreation	2,780		20,383	23,163
Debt service:				
Principal	3,505		8,112	11,617
Interest			305	305
Loan issue costs				-
Capital outlay	49,220	-	5,043	54,263
<b>Total expenditures</b>	<b>\$ 426,805</b>	<b>\$ 75,479</b>	<b>\$ 48,015</b>	<b>\$ 550,299</b>
Revenues over (under) expenditures	\$ 305,534	\$ 5,436	\$ (2,330)	\$ 308,640
Other financing sources (uses):				
Loan proceeds				-
Transfer in	1,217		15,000	16,217
Transfer out	(15,000)		(1,217)	(16,217)
<b>Net change in fund balances</b>	<b>\$ 291,751</b>	<b>\$ 5,436</b>	<b>\$ 11,453</b>	<b>\$ 308,640</b>
Fund balance July 1, 2018	750,925	\$ 117,701	139,908	1,008,534
Fund balance June 30, 2019	<u>\$ 1,042,676</u>	<u>\$ 123,137</u>	<u>\$ 151,361</u>	<u>\$ 1,317,174</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, 2019

Net change in fund balances-total governmental funds \$ 308,640

*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	54,263
Depreciation expense.	(409,642)

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	18,447
----------------	--------

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

Governmental funds report pension contributions as expenditures. However,  
in the Statement of Activities, the costs of pension benefits earned net of  
employee contributions is reported as pension expense:

Pension contributions	11,133
Costs of benefits earned	(34,912)

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

11,617

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.

15

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.

(3,160)

*Change in Net Position of Governmental Activities*

\$ (43,599)

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, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 278,954	\$ 278,954	\$ 282,203	\$ 3,249
State sources	195,000	222,367	418,973	196,606
Federal sources				-
Fines, licenses and permits	2,750	4,550	7,785	3,235
Charges for services	8,350	5,630	5,483	(147)
Miscellaneous	15,611	12,700	44,097	31,397
Total revenues	\$ 500,665	\$ 524,201	\$ 758,541	\$ 234,340
Expenditures:				
Current:				
General government	\$ 138,225	\$ 111,563	\$ 127,095	\$ (15,532)
Public safety	297,136	296,636	224,016	72,620
Public works	36,505	36,505	27,314	9,191
Health and welfare	11,738			-
Culture recreation	4,300	4,200	2,226	1,974
Principle			3,505	(3,505)
Interest				-
Capital outlay	67,367	27,367	42,575	(15,208)
Total expenditures	\$ 555,271	\$ 476,271	\$ 426,731	\$ 49,540
Revenues over (under) expenditures	\$ (54,606)	\$ 47,930	\$ 331,810	\$ 283,880
Other financing sources (uses):				
Transfer in	25,000	25,000		(25,000)
Transfer out	(10,000)	(10,000)	(15,000)	(5,000)
Net change in fund balance	\$ (39,606)	\$ 62,930	\$ 316,810	\$ 253,880
Fund balance, July 1, 2018	734,603	741,270	716,537	(24,733)
Fund balance, June 30, 2019	\$ 694,997	\$ 804,200	\$ 1,033,347	\$ 229,147
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 291,751	
Revenue accruals (net)			26,202	
Expenditure accruals (net)			74	
Other financing sources (net)			(1,217)	
Net change in fund balance, NON-GAAP budgetary basis			\$ 316,810	



Town of Hurley  
**FIRE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 130,000	\$ 130,000	\$ 110,183	\$ (19,817)
Expenditures:				
Current:				
Public safety	<u>117,951</u>	<u>117,951</u>	<u>81,241</u>	<u>36,710</u>
Revenues over (under) expenditures	\$ 12,049	\$ 12,049	\$ 28,942	\$ 16,893
Other financing sources (uses):				
Transfer in				-
Transfer out				-
Net change in fund balance	\$ 12,049	\$ 12,049	\$ 28,942	\$ 16,893
Fund balance, July 1, 2018	<u>94,377</u>	<u>94,377</u>	<u>94,377</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 106,426</u>	<u>\$ 106,426</u>	<u>\$ 123,319</u>	<u>\$ 16,893</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 5,436	
Revenue accruals (net)			29,268	
Expenditure accruals (net)			(5,762)	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 28,942</u>	

The accompanying notes are an integral part of these financial statements

Town of Hurley  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2019

	Cemetary	Joint Utility	Solid Waste	Total
<b>Assets</b>				
Current:				
Cash and investments	\$ 18,039	\$ 1,285,984	\$ 97,926	\$ 1,401,949
Interfund receivable	34,695			34,695
Due from other governments	3,545			3,545
Inventory		24,088		24,088
Receivables, net of allowances:				
Accounts		102,408	24,396	126,804
Taxes			724	724
Interest	9	171		180
<b>Total current assets</b>	<b>\$ 56,288</b>	<b>\$ 1,412,651</b>	<b>\$ 123,046</b>	<b>\$ 1,591,985</b>
Noncurrent assets:				
Restricted:				
Cash and investments	\$ -	\$ 1,845,525	\$ -	\$ 1,845,525
Capital assets (net)	98,327	8,062,815		8,161,142
<b>Total noncurrent assets</b>	<b>\$ 98,327</b>	<b>\$ 9,908,340</b>	<b>\$ -</b>	<b>\$ 10,006,667</b>
<b>Total assets</b>	<b>\$ 154,615</b>	<b>\$ 11,320,991</b>	<b>\$ 123,046</b>	<b>\$ 11,598,652</b>
<b>Deferred Outflows of Resources</b>				
Related to pensions	\$ -	\$ 101,997	\$ -	\$ 101,997
<b>Liabilities</b>				
Current:				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable		1,790,463	956	1,791,419
Accrued liabilities		3,812		3,812
Interfund payable				-
Interest payable		2,867		2,867
Current maturities of long-term debt		14,326		14,326
<b>Total current liabilities</b>	<b>\$ -</b>	<b>\$ 1,811,468</b>	<b>\$ 956</b>	<b>\$ 1,812,424</b>
Noncurrent liabilities:				
Payable from restricted assets				
Customer deposits	\$ -	\$ 71,069	\$ -	\$ 71,069
Net pension liability		117,090	-	117,090
Compensated absences		6,750		6,750
Notes payable		214,318		214,318
Bonds payable		124,880		124,880
<b>Total noncurrent liabilities</b>	<b>\$ -</b>	<b>\$ 534,107</b>	<b>\$ -</b>	<b>\$ 534,107</b>
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 2,345,575</b>	<b>\$ 956</b>	<b>\$ 2,346,531</b>

Town of Hurley  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS (concluded)**  
June 30, 2019

	Cemetery	Joint Utility	Solid Waste	Total
<b>Deferred Inflows Of Resources</b>				
Related to pensions	\$ -	\$ 3,747	\$ -	\$ 3,747
Unavailable revenue				-
Total deferred inflows of resources	\$ -	\$ 3,747	\$ -	\$ 3,747
<b>Net Position</b>				
Net investment in capital assets	\$ 98,327	\$ 6,907,575	\$ -	\$ 7,005,902
Restricted for:				
Debt service				-
Capital projects		1,774,456		1,774,456
Unrestricted	56,288	391,635	122,090	570,013
Total net position	\$ 154,615	\$ 9,073,666	\$ 122,090	\$ 9,350,371

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, 2019

	<u>Cemetary</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 4,400	\$ 557,323	\$ 137,618	\$ 699,341
Operating expenses:				
Personnel	\$ -	\$ 241,135	\$ -	\$ 241,135
Operating	2,634	357,166	124,255	484,055
Depreciation	1,733	81,163		82,896
Total operating expenses	\$ 4,367	\$ 679,464	\$ 124,255	\$ 808,086
Net operating income	\$ 33	\$ (122,141)	\$ 13,363	\$ (108,745)
Nonoperating revenue (expense):				
Investment income	\$ 104	\$ 2,086	\$ -	\$ 2,190
Gross receipts taxes			4,577	4,577
State grants	22,950	-		22,950
Federal grants				-
Miscellaneous revenue		12,197		12,197
Interest expense		(5,442)		(5,442)
Total nonoperating revenue (expense)	\$ 23,054	\$ 8,841	\$ 4,577	\$ 36,472
Net income before operating transfers	\$ 23,087	\$ (113,300)	\$ 17,940	\$ (72,273)
Transfers:				
In	-	18,267		18,267
Out	(18,267)	-		(18,267)
Change in net position	<u>\$ 4,820</u>	<u>\$ (95,033)</u>	<u>\$ 17,940</u>	<u>\$ (72,273)</u>
Net position, beginning of year, as originally reported	\$ 149,795	\$ 9,162,791	\$ 104,150	\$ 9,416,736
Restatement	-	5,908	-	5,908
Net position, beginning of year, as restated	\$ 149,795	\$ 9,168,699	\$ 104,150	\$ 9,422,644
Change in net position	<u>4,820</u>	<u>(95,033)</u>	<u>17,940</u>	<u>(72,273)</u>
Net position, end of year	<u>\$ 154,615</u>	<u>\$ 9,073,666</u>	<u>\$ 122,090</u>	<u>\$ 9,350,371</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, 2019

	<u>Cemetary</u>	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 4,400	\$ 544,466	\$ 139,258	\$ 688,124
Payments to suppliers	(2,634)	(334,787)	(127,959)	(465,380)
Payments to employees		(216,123)		(216,123)
Net cash provided (used) by operating activities	<u>\$ 1,766</u>	<u>\$ (6,444)</u>	<u>\$ 11,299</u>	<u>\$ 6,621</u>
Cash flows from noncapital financing activities:				
Dedicated tax receipts			\$ 4,618	\$ 4,618
Intergovernmental grants	22,950			22,950
Collections of notes receivable				-
Interfund activity	(3,545)			(3,545)
Miscellaneous collections		12,197		12,197
Transfers from other funds		18,267		18,267
Transfers to other funds	(18,267)			(18,267)
Net cash provided (used) by noncapital financing activities	<u>\$ 1,138</u>	<u>\$ 30,464</u>	<u>\$ 4,618</u>	<u>\$ 36,220</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	\$ (22,950)	\$ (47,020)	\$ -	\$ (69,970)
Borrowings on capital debt				-
Principal paid on capital debt		(5,276)		(5,276)
Interest paid on capital debt		(5,487)		(5,487)
Net cash provided (used) by capital and related financing activities	<u>\$ (22,950)</u>	<u>\$ (57,783)</u>	<u>\$ -</u>	<u>\$ (80,733)</u>
Cash flows from investing activities:				
Earnings on investments	\$ 99	\$ 1,915	\$ -	\$ 2,014
Net cash provided (used) by investing activities	<u>\$ 99</u>	<u>\$ 1,915</u>	<u>\$ -</u>	<u>\$ 2,014</u>
Net increase (decrease) in cash and equivalents	\$ (19,947)	\$ (31,848)	\$ 15,917	\$ (35,878)
Cash and equivalents, beginning of year	<u>37,986</u>	<u>3,163,357</u>	<u>82,009</u>	<u>3,283,352</u>
Cash and equivalents, end of year	<u>\$ 18,039</u>	<u>\$ 3,131,509</u>	<u>\$ 97,926</u>	<u>\$ 3,247,474</u>

Town of Hurley  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (concluded)**  
For the Fiscal Year Ended June 30, 2019

	<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)	\$ 33	\$ (122,141)	\$ 13,363	\$ (108,745)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,733	81,163	-	82,896
(Increase) decrease in:				
Receivables, net	-	(19,659)	1,640	(18,019)
Deferred outflows		(101,997)		(101,997)
Inventory	-	(6,266)		(6,266)
Increase (decrease) in:				
Accounts payable	-	28,645	(3,704)	24,941
Accrued expenses		(163)		(163)
Deferred inflows		3,747		3,747
Customer deposits		6,802		6,802
Net pension liability		122,998		122,998
Compensated absences		427		427
Net cash provided (used) by operating activities	<u>\$ 1,766</u>	<u>\$ (6,444)</u>	<u>\$ 11,299</u>	<u>\$ 6,621</u>

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

Town of Hurley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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 bond 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.

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.

#### *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 deferred outflows related to pensions as disclosed in Note 7.

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 statement 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 \$31,654 in the fund statements. In addition the Government has deferred inflows related to pensions as disclosed in Note 7.

#### **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, 2019 was \$4.058 per \$1,000 for non-residential property and \$4.308 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, 2019, \$259,268 of the Town’s bank balance of \$2,853,861 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 259,268</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	2,344,593	2,344,593
Uninsured and uncollateralized	<u>259,268</u>	<u>185,841</u>
	<u>\$ 2,853,861</u>	<u>\$ 2,780,434</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 \$1,775,326.

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 6-10-10-10P 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 \$4,679 on deposit in the pool at June 30, 2019, which is AAAM rated with a weighted average maturity of 35 days WAM(R) and 112 days WAM(F).

Note 3 Receivables

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accounts receivable:		
Services (net)	\$ -0-	\$ 126,804
Franchise tax	\$ 4,760	\$
Property taxes	2,127	
Gross receipts tax	26,180	724
MVD Gas Tax	<u>714</u>	<u>          </u>
Total taxes receivable	<u>\$ 33,781</u>	<u>\$ 724</u>
Intergovernmental grants	<u>\$ 47,280</u>	<u>\$ 3,545</u>
Bonds receivable	\$ -0-	\$
Interest receivable	<u>51</u>	<u>180</u>
Total miscellaneous receivable	<u>\$ 51</u>	<u>\$ 180</u>
Total	<u>\$ 81,112</u>	<u>\$ 131,253</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, 2019, was as follows:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,247	\$ -0-	\$ -0-	\$ 1,247
Construction in progress	<u>153,346</u>	<u>49,220</u>	<u>          </u>	<u>202,566</u>

Total capital assets not being depreciated	\$ 154,593	\$ 49,220	\$ -0-	\$ 203,813
Capital assets being depreciated:				
Buildings/Improvements/ Infrastructure	\$14,326,226	\$	\$	\$ 14,326,226
Equipment/vehicles/ machinery	<u>1,188,894</u>	<u>5,043</u>	<u>          </u>	<u>1,193,937</u>
Total capital assets being depreciated	\$ 15,515,120	\$ 5,043	\$ -0-	\$ 15,520,163
Less accumulated depreciation for:				
Buildings/Improvements/ Infrastructure	\$ (4,002,979)	\$ (352,326)	\$	\$ (4,355,305)
Equipment/vehicles/ machinery	<u>(888,994)</u>	<u>(57,316)</u>	<u>          </u>	<u>(946,310)</u>
Total accumulated depreciation	\$ (4,891,973)	\$ (409,642)	\$ -0-	\$ (5,301,615)
Total capital assets being depreciated, net	\$ 10,623,147	\$ (404,599)	\$ -0-	\$ 10,218,548
Governmental activity, capital assets, net	\$ 10,777,740	\$ (355,379)	\$ -0-	\$ 10,422,361

**Other business-type  
activity programs:**

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land and land improvements	\$ 13,317	\$ -0-	\$ -0-	\$ 13,317
Construction in progress	<u>878,661</u>	<u>1,786,679</u>	<u>86,673</u>	<u>2,578,667</u>
Total capital assets not being depreciated	\$ 891,978	\$ 1,786,679	\$ 86,673	\$ 2,591,984
Capital assets being depreciated:				
Equipment	\$ 445,077	\$ 40,988	\$	\$ 486,065
Buildings/Improvements	371,164	86,673		457,837
Infrastructure	<u>7,089,376</u>	<u>          </u>	<u>          </u>	<u>7,089,376</u>
Total capital assets being depreciated	\$ 7,905,617	\$ 127,661	\$ -0-	\$ 8,033,278

Less accumulated depreciation:				
Equipment	\$ (389,616)	\$ (17,075)	\$	\$ (406,691)
Buildings/Improvements	(197,426)	(15,924)		(213,350)
Infrastructure	<u>(1,794,182)</u>	<u>(49,897)</u>	<u>                    </u>	<u>(1,844,079)</u>
Total accumulated depreciation	<u>\$ (2,381,224)</u>	<u>\$ (82,896)</u>	<u>\$ -0-</u>	<u>\$ (2,464,120)</u>
Total capital assets being depreciated, net	<u>\$ 5,524,393</u>	<u>\$ 44,765</u>	<u>\$ -0-</u>	<u>\$ 5,569,158</u>
Other business-type activity programs capital assets, net	<u>\$ 6,416,371</u>	<u>\$ 1,831,444</u>	<u>\$ 86,673</u>	<u>\$ 8,161,142</u>

Depreciation was charged to the Governmental Activities as follows:

General Government	\$ 36,868
Public Safety	73,736
Public Works	294,942
Culture-recreation	<u>4,096</u>
	<u>\$ 409,642</u>

Note 5 Accrued Expenses

At June 30, 2019, accrued expenses consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Accruals payroll and benefits	<u>\$ 3,662</u>	<u>\$ 3,812</u>
	<u>\$ 3,662</u>	<u>\$ 3,812</u>

Note 6 Long-Term Debt

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

Governmental Activities

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Notes payable	<u>\$ 99,586</u>	<u>\$ -0-</u>	<u>\$ 11,617</u>	<u>\$ 87,969</u>	<u>\$ 12,476</u>

Law Enforcement – This loan is for police vehicles, and the loan balance is \$16,503 at June 30, 2019. The loan is secured by State Law Enforcement Allocations. The revenues pledged totaled \$16,834 at June 30, 2019, which is 40% of allocations at their current rate. Interest

rates range from .94% to 1.39%, and maturity dates range from 2020-2021. During the year ended June 30, 2019, the Town recognized \$21,200 in pledged revenues, and retired \$8,417 in loan principal and interest.

Road Improvements – These loans are for street improvements, and the loans total \$71,466 at June 30, 2019. The loans are secured by gross receipts tax revenue. The revenues pledged totaled \$71,466 at June 30, 2019, which is 2% of gross receipts tax revenues at their current rate. The loans are without interest, and maturity dates range from 2020 through 2039. During the year ended June 30, 2019, the Town recognized \$197,007, in pledged revenues, and retired \$3,505 in loan principal.

Business-Type Activities:

	Balance July 1, 2018	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2019	Due Within One Year
Rev Bond 2009	\$ 128,900	\$	\$ 1,970	\$ 126,930	\$ 2,050
NMFA	3,375		334	3,041	335
NMFA	5,583		373	5,210	373
NMFA	41,571		2,599	38,972	2,599
NMFA	<u>179,371</u>	<u>                    </u>	<u>                    </u>	<u>179,371</u>	<u>8,969</u>
	<u>\$ 358,800</u>	<u>\$ -0-</u>	<u>\$ 5,276</u>	<u>\$ 353,524</u>	<u>\$ 14,326</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 \$230,677 at June 30, 2019, which is 1.3% of revenues at the current rate. Maturity dates range from 2020 through 2051. During the year ended June 30, 2019, the Town recognized \$557,323 in pledged revenues, and retired \$7,448 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 \$221,905 at June 30, 2019, which is 2.7% of revenues at their current rate. Maturity dates range from 2020 to 2034. During the year ended June 30, 2019, the Town recognized \$557,323 in pledged revenues, and retired \$3,306 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:				
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	4,275		14,697	5,023

2025-2029	21,371		74,783	23,482
2030-2034	21,369		76,240	20,306
2035-2039	7,351		65,683	16,390
2040-2044			25,650	11,571
2045-2049			31,580	5,636
2050-2053			7,050	299
	<u>\$ 87,969</u>	<u>\$ 331</u>	<u>\$ 353,524</u>	<u>\$ 103,747</u>

Compensated absences in governmental activities were as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 629</u>	<u>\$ 10,314</u>	<u>\$ 7,154</u>	<u>\$ 3,789</u>	<u>\$ -0-</u>

Compensated absences in Proprietary Funds were as follows during the year ended June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	<u>\$ 6,323</u>	<u>\$ 11,627</u>	<u>\$ 11,200</u>	<u>\$ 6,750</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

### Summary of Significant Accounting Policies

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### General Information about the Pension Plan

**Plan Description** – The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State, General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan

members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits Provided** – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at <http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366PublicEmployeesRetirementAssociation2018.pdf>.

**Contributions** – The contribution requirements of defined benefit plan members and Town of Hurley are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY18 annual audit at <http://osanm.org/media/audits/366PublicEmployeesRetirementAssociation2018.pdf>. The PERA coverage options that apply to the Town are the Municipal General. Statutorily required contributions to the pension plan from the Town were \$22,761 for the year ended June 30, 2019.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town's proportion of the net pension liability for each member group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2019. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total

contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division** – Municipal General, at June 30, 2019, the Town reported a liability of \$229,589 for its proportionate share of the net pension liability. At June 30, 2018, the Town’s proportion was .0144 percent. This is the first year of participation for the Town.

For the year ended June 30, 2019, the Town recognized PERA Fund Division Municipal General pension expense of \$71,248. At June 30, 2019, the Town reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,635	\$ 6,028
Changes of assumptions	20,816	1,320
Net difference between projected and actual earnings on pension plan investments	17,028	
Changes in proportion and differences between the Town’s contributions and proportionate share of contributions	132,795	-0-
The Town’s contributions subsequent to the measurement date	<u>22,721</u>	<u>-0-</u>
Total	<u>\$ 199,995</u>	<u>\$ 7,348</u>

\$22,721 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 68,514
2021	53,758
2022	46,358
2023	1,296

**Actuarial Assumptions** – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2017 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value

**Actuarial assumptions:**

- Investment rate of return 7.25% annual rate, net of investment expense
- Payroll growth 3.00%
- Projected salary increases 3.25% - 13.50%
- Includes inflation at 2.50%

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ALL FUNDS – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.5%	7.48%
Risk Reduction and Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets	<u>20.0%</u>	6.48%
Total	<u>100.0%</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that



future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that the Town participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
<b>PERA Fund Division Municipal General</b>	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
The Town's proportionate share of the net pension liability	<u>\$ 353,781</u>	<u>\$ 229,589</u>	<u>\$ 126,924</u>

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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 \$5,100,000 at June 30, 2019.

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, 2019.

Note 14 Inter-fund Activity

Inter-fund balances at June 30, 2019, consisted of the following:

	<u>Governmental Activities</u>	
	<u>Inter-Fund Payable</u>	
	<u>General</u>	<u>Total</u>
<u>Inter-Fund Receivable</u>		
Cemetery	\$ 34,695	\$ 34,695
	<u>\$ 34,695</u>	<u>\$ 34,695</u>

These amounts are expected to be repaid within one year, and the advances were made to meet operating expenses.

Inter-fund transfers were as follows during the year ended June 30, 2019:

	<u>Transfers From</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Joint Utilities</u>	<u>Total</u>
<u>Transfers To</u>				
General	\$	\$ 1,217	\$	\$ 1,217
Other Funds	15,000			15,000
Cemetery	<u>-0-</u>		<u>18,267</u>	<u>18,267</u>
	<u>\$ 15,000</u>	<u>\$ 1,217</u>	<u>\$ 18,267</u>	<u>\$ 34,484</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	\$ 63,015
Fire	123,317
Recreation	8,720
Corrections	140,509
Other	<u>1,254</u>
	<u>\$ 336,815</u>

The Town reports \$347,563 in restricted assets, of which \$347,563 is restricted by enabling legislation.

Note 16 Evaluation of Subsequent Events

The Town has evaluated subsequent events through December 12, 2019, the date which the financial statements were available to be issued.

Note 17 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.

Note 18 Restatements

During the year ended June 30, 2018, the Town joined the Public Employees Retirement Association. Contributions to the plan for the year ended June 30, 2018, are required to be considered prepayments for the year ended June 30, 2019. Therefore, the following restatements are necessary.

	<u>Governmental Activities</u>	<u>Joint Utility Fund</u>
2018 Contributions	<u>\$ 5,677</u>	<u>\$ 5,908</u>

Prior year net positions have been restated to show the effects of the change, where necessary.

## 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.

**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  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION  
 LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL  
 LAST 10 FISCAL YEARS\*

	2019
Town of Hurley's proportion of the net pension liability	.0144%
Town of Hurley's proportionate share of the net pension liability	\$ 229,589
Town of Hurley's covered payroll	\$ 361,977
Town of Hurley's proportionate share of the net pension liability as a percentage of its covered payroll	63%
Plan fiduciary net position as a percentage of the total pension liability	71.13%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the Town of Hurley will present information for those years for which information is available. The Town first participated in PERA in 2017-18.

Town of Hurley  
 SCHEDULE OF CONTRIBUTIONS-PUBLIC EMPLOYEES RETIREMENT  
 ASSOCIATION (PERA) FUND DIVISION MUNICIPAL GENERAL  
 LAST 10 FISCAL YEARS\*

	2019
Contractually required contributions	\$ 22,721
Contributions in relation to contractually required contributions	(22,721)
Contribution deficiency (excess)	\$ -
Town of Hurley's covered payroll	\$ 361,977
Contributions as a percentage of covered payroll	6.28%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, the Town of Hurley will present information for those years for which information is available. The Town first participated in PERA in 2017-18.

Town of Hurley  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2019

**Change in benefit terms** – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2018.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202018.pdf).

**Changes of valuation** – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at:

[http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investment/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report_FINAL.pdf).

The Summary of Financial Information for the PERA Fund states the return on the actuarial value of assets was 6.90% compared to the expected return of 7.25%. The report indicates the total increase to the unfunded actuarial accrued liability is \$902,931,083 and results in a decrease to the funded ratio from 73.74% to 71.13%. For details about the actuarial assumptions, see the actuarial section of the report.



Town of Hurley  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2019

	Special Revenue Funds		
	Corrections	EMS	Law Enforcement Protection
<b>Assets</b>			
Cash and investments	\$ 141,895	\$ 234	\$ 3,830
Interest receivable	19		
Interfund receivable			
Bonds receivable			
Total assets	\$ 141,914	\$ 234	\$ 3,830
<b>Liabilities</b>			
Accounts payable	\$ 1,405	\$ -	\$ 2,859
Interfund payable			
Total liabilities	\$ 1,405	\$ -	\$ 2,859
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -
<b>Fund balances:</b>			
Restricted:			
Public safety	\$ 140,509	\$ 234	\$ 971
Culture and recreation			
Public works			
Health and Welfare			
Debt service			
Capital Projects			
Unassigned			
Total fund balance	\$ 140,509	\$ 234	\$ 971
Total liabilities, deferred inflows of resources and fund balance	\$ 141,914	\$ 234	\$ 3,830

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

		<u>Capital Projects Fund</u>	
<u>Lodgers Tax</u>	<u>Recreation</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 229	\$ 9,662	\$ 698	\$ 156,548 19 - -
<u>\$ 229</u>	<u>\$ 9,662</u>	<u>\$ 698</u>	<u>\$ 156,567</u>
\$ -	\$ 942	\$ -	\$ 5,206 -
<u>\$ -</u>	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ 5,206</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ - 229	\$ - 8,720	\$ -	\$ 141,714 8,949 - - - 698 698 -
<u>\$ 229</u>	<u>\$ 8,720</u>	<u>\$ 698</u>	<u>\$ 151,361</u>
<u>\$ 229</u>	<u>\$ 9,662</u>	<u>\$ 698</u>	<u>\$ 156,567</u>

Town of Hurley  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2019

	Special Revenue Funds				
	Corrections	EMS	Law Enforcement Protection	Lodgers Tax	Recreation
Revenues:					
GRT Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Gas taxes					
Charges for services					3,746
State sources			21,200		
Federal sources					
Fines, licenses and permits	20,604				
Miscellaneous	11		124		
Total revenues	<u>\$ 20,615</u>	<u>\$ -</u>	<u>\$ 21,324</u>	<u>\$ -</u>	<u>\$ 3,746</u>
Expenditures:					
Current:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	3,378		10,794		
Public works					
Health and welfare					
Culture recreation					20,383
Debt service:					
Principal			8,112		
Interest			305		
Loan issue costs					
Capital outlay			5,043		
Total expenditures	<u>\$ 3,378</u>	<u>\$ -</u>	<u>\$ 24,254</u>	<u>\$ -</u>	<u>\$ 20,383</u>
Revenues over (under) expenditures	\$ 17,237	\$ -	\$ (2,930)	\$ -	\$ (16,637)
Other financing sources (uses):					
Transfer in					15,000
Transfer out					
Loan proceeds					
Net change in fund balance	\$ 17,237	\$ -	\$ (2,930)	\$ -	\$ (1,637)
Fund balance, July 1, 2018	<u>123,272</u>	<u>234</u>	<u>3,901</u>	<u>229</u>	<u>10,357</u>
Fund balance, June 30, 2019	<u><u>\$ 140,509</u></u>	<u><u>\$ 234</u></u>	<u><u>\$ 971</u></u>	<u><u>\$ 229</u></u>	<u><u>\$ 8,720</u></u>

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

Capital  
Projects Fund

<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -
	-
	3,746
	21,200
	-
	20,604
	135
<u>\$ -</u>	<u>\$ 45,685</u>
\$ -	\$ -
	14,172
	-
	-
	20,383
	8,112
	305
	-
	5,043
<u>\$ -</u>	<u>\$ 48,015</u>
\$ -	\$ (2,330)
	15,000
(1,217)	(1,217)
	-
<u>\$ (1,217)</u>	<u>\$ 11,453</u>
1,915	139,908
<u>\$ 698</u>	<u>\$ 151,361</u>

Town of Hurley  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2019

	First American	Total
Checking and CD's	\$ 2,853,861	\$ 2,853,861
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 2,603,861	\$ 2,603,861
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 1,301,931	\$ 1,301,931
Pledged Securities:		
FHLB Alamogordo NM Cusip 011446FS5 8/1/19	200,580	200,580
FHLB GNMA Cusip 36225FLB3 1/20/42	147,096	147,096
FHLB Deming PS Cusip 550340EB5 8/1/24	765,915	765,915
FHLB Los Lunas SD Cusip 545562QZ6 7/15/25	826,952	826,952
FHLB Dona Ana Co NM Cusip 257579CZ3 9/1/27	404,050	404,050
Total pledged securities	\$ 2,344,593	\$ 2,344,593
Pledged securities over (under) requirement	\$ 1,042,663	\$ 1,042,663

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, 2019

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First American</u>			
General	Checking	\$ 2,107,832	\$ 2,034,521
Water deposits	Checking	71,185	71,069
USDA Water	Checking	150,000	150,000
CDBG	Checking	-	-
Construction	Checking	697	697
Wastewater reserve	Checking	6,785	6,785
Municipal court	Checking	1,261	1,261
USDA Wastewater	Checking	131,000	131,000
Corrections	CD	23,058	23,058
Water fund	CD	68,342	68,342
Cemetary	CD	11,708	11,708
Water deposits	CD	29,271	29,271
Water fund	CD	115,212	115,212
General	CD	137,510	137,510
		<u>\$ 2,853,861</u>	<u>\$ 2,780,434</u>
<u>LGIP</u>			
Water fund	LGIP	\$ 1,776	\$ 1,776
General	LGIP	2,903	2,903
		<u>\$ 4,679</u>	<u>\$ 4,679</u>
<u>NMFA</u>			
Cash on deposit with paying agent	NMFA	\$ 1,775,326	\$ 1,775,326
Cash on hand			<u>\$ 250</u>
		<u>\$ 4,633,866</u>	<u>\$ 4,560,689</u>

Town of Hurley  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
For the Fiscal Year Ended June 30, 2019

**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, 2019

	Community Center Improvements 16-A2437	Special Appropriation Water System Improvements SAP 16-A2263	Cemetery Improvements 18-C4061
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, 2019	\$ 71,304	\$ 98,296	\$ 99,895
Encumbrances		-	
Total committed	<u>\$ 71,304</u>	<u>\$ 98,296</u>	<u>\$ 99,895</u>
Project expiration date	6/30/2020	6/30/2020	Reverted



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

Brian S. Colón, Esq., 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 and major special revenue funds of Town of Hurley as of and for the year ended June 30, 2019, 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, 2019.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 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, 2019

Stone, McGee & Co.  
Certified Public Accountants

Town of Hurley  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2019

**Findings – Financial Statement Audit**

Current Status

2018-001 I-9 payroll documentation not complete

Resolved

Town of Hurley  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2019

**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 or material weaknesses 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**

None

**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 11, 2019. 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
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs