

STATE OF NEW MEXICO
VILLAGE OF HATCH
ANNUAL FINANCIAL REPORT
JUNE 30, 2017



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INTRODUCTORY SECTION

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Village of Hatch
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**STATE OF NEW MEXICO
Village of Hatch
Official Roster
June 30, 2017**

VILLAGE COUNCIL

Andy Nunez Mayor
Kathie Franzoy..... Trustee
Robert Martinez Trustee
Robert Torres..... Trustee
Dennis Torres Trustee

VILLAGE OFFICIALS

Patrick Banegas..... Municipal Clerk
Elizabeth Porras..... Deputy Clerk

FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and Board of Trustees
Village of Hatch
Hatch, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Village of Hatch New Mexico (the Village) as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Village'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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinion 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; the audit was conducted in accordance with 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed.

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 opinion.

Opinion

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Village, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management 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 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, economical, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that Schedule I and Schedule II and the Notes to the Schedule of Required Supplementary Information on pages 62-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The Supporting Schedules III, IV and V required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supporting Schedules III, IV and V required by Section 2.2.2 NMAC is the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supporting Schedules III, IV and V referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section was not subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
November 20, 2017

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
Village of Hatch
Statement of Net Position
June 30, 2017

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,157,441	\$ 350,668	\$ 6,508,109
Restricted cash	367,586	176,205	543,791
Taxes receivable	184,596	-	184,596
Customer receivables	-	98,872	98,872
Other receivables	-	246,268	246,268
Total current assets	<u>6,709,623</u>	<u>872,013</u>	<u>7,581,636</u>
Noncurrent assets			
Investment In land held for sale	1,459,002	-	1,459,002
Capital assets	19,277,277	10,642,857	29,920,134
Less: Accumulated depreciation	(7,466,506)	(7,077,394)	(14,543,900)
Total noncurrent assets	<u>13,269,773</u>	<u>3,565,463</u>	<u>16,835,236</u>
Deferred outflows of resources			
Deferred outflows from pension	812,901	84,942	897,843
Total assets and deferred outflows of resources	<u>\$ 20,792,297</u>	<u>\$ 4,522,418</u>	<u>\$ 25,314,715</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 35,419	\$ 148,294	\$ 183,713
Accrued salaries and benefits	36,926	8,048	44,974
Notes payable	17,501	19,140	36,641
Compensated absences	11,696	11,578	23,274
Total current liabilities	<u>101,542</u>	<u>187,060</u>	<u>288,602</u>
Noncurrent liabilities			
Customer deposits	-	38,404	38,404
Notes payable	17,899	755,679	773,578
Compensated absences	16,704	5,702	22,406
Net pension liability	1,823,433	190,534	2,013,967
Total noncurrent liabilities	<u>1,858,036</u>	<u>990,319</u>	<u>2,848,355</u>
Total Liabilities	<u>1,959,578</u>	<u>1,177,379</u>	<u>3,136,957</u>
Deferred inflows of resources			
Deferred inflow from pension	29,701	3,103	32,804
Net Position			
Net investment in capital assets	11,810,771	3,565,463	15,376,234
Restricted for:			
Special revenue	677,617	-	677,617
Capital projects	229,278	-	229,278
Debt service	-	137,801	137,801
Unrestricted	6,085,352	(361,328)	5,724,024
Total net position	<u>18,803,018</u>	<u>3,341,936</u>	<u>22,144,954</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,792,297</u>	<u>\$ 4,522,418</u>	<u>\$ 25,314,715</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions and Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 977,421	\$ 149,165	\$ 230,491	\$ -
Public Safety	1,301,054	115,767	80,710	23,529
Public Works	144,025		-	687,437
Culture and Recreation	361,324	-	3,866	-
Health and welfare	18,877	7,818	-	-
Interest on Long-Term Debt	1,089	-	-	-
Total Governmental Activities	2,803,790	272,750	315,067	710,966
Business-Type Activities				
Joint Utility	678,871	484,061	-	186,455
Solid Waste	257,776	268,031	-	-
Total Business-Type Activities	936,647	752,092	-	186,455
Total primary government	\$ 3,740,437	\$1,024,842	\$ 315,067	\$ 897,421
General Revenues:				
Taxes:				
Franchise taxes				
Property taxes				
Gross receipt taxes				
Gas tax				
Interest income				
Miscellaneous Income				
Transfers				
Subtotal, General Revenues				
Change in Net Position				
Net Position - beginning				
Net position - ending				

See Independent Auditors' Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Government Activities	Business- Type Activities	Total
\$ (597,765)	\$ -	\$ (597,765)
(1,081,048)	-	(1,081,048)
543,412	-	543,412
(357,458)	-	(357,458)
(11,059)	-	(11,059)
(1,089)	-	(1,089)
<u>(1,505,007)</u>	<u>-</u>	<u>(1,505,007)</u>
-	(8,355)	(8,355)
-	10,255	10,255
<u>-</u>	<u>1,900</u>	<u>1,900</u>
<u>(1,505,007)</u>	<u>1,900</u>	<u>(1,503,107)</u>
41,141	-	41,141
105,699	-	105,699
806,812	82,961	889,773
7,091	-	7,091
1,927	239	2,166
94,051	-	94,051
(14,564)	14,564	-
<u>1,042,157</u>	<u>97,764</u>	<u>1,139,921</u>
(462,850)	99,664	(363,186)
<u>19,265,868</u>	<u>3,242,272</u>	<u>22,508,140</u>
<u>\$ 18,803,018</u>	<u>\$ 3,341,936</u>	<u>\$ 22,144,954</u>

STATE OF NEW MEXICO
Village of Hatch
Balance Sheet -Governmental Funds
June 30, 2017

	General Fund	Street Improvements Capital Projects Fund	Placitas Arroyo Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 5,601,914	-	33,633
Restricted cash	174,174	-	-
Property taxes receivable	10,944	-	-
Gross receipts receivable	163,618	-	-
Other taxes receivable	10,034	-	-
Due from other funds	9,099	-	-
Investment in land held for sale	1,459,002	-	-
Total assets	\$ 7,428,785	\$ -	\$ 33,633
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 17,386	-	2,405
Accrued salaries and benefits	36,926	-	-
Due to other funds	-	8,599	-
Total liabilities	54,312	8,599	2,405
Fund balance			
Nonspendable	1,459,002	-	-
Restricted for:			
Special Revenue	-	-	-
Capital Projects	174,174	-	31,228
Unassigned	5,741,297	(8,599)	-
Total fund balance	7,374,473	(8,599)	31,228
Total liabilities and fund balance	\$ 7,428,785	\$ -	\$ 33,633

See Independent Auditors' Report and Notes to Financial Statements

Total Other Governmental Funds	Total
\$ 715,306	\$ 6,350,853
-	174,174
-	10,944
-	163,618
-	10,034
-	9,099
-	1,459,002
<u>\$ 715,306</u>	<u>\$ 8,177,724</u>
\$ 15,628	\$ 35,419
-	36,926
500	9,099
<u>16,128</u>	<u>81,444</u>
-	1,459,002
677,617	677,617
23,876	229,278
(2,315)	5,730,383
<u>699,178</u>	<u>8,096,280</u>
<u>\$ 715,306</u>	<u>\$ 8,177,724</u>

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STATE OF NEW MEXICO
Village of Hatch
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2017

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds **\$ 8,096,280**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Capital assets	19,277,277
Less: Accumulated depreciation	(7,466,506)

Deferred outflows and inflows relating to pension liabilities are not payable / collectible in the current period and therefore are not reported in the fund financial statements.

Deferred outflows	812,901
Deferred inflows	(29,701)

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Accrued compensated absences	(28,400)
Notes payable	(35,400)
Net pension liability	<u>(1,823,433)</u>

Total net position of governmental activities **\$ 18,803,018**

STATE OF NEW MEXICO
Village of Hatch
Statement of Revenues, Expenses, and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Street Improvements Capital Projects Fund</u>	<u>Placitas Arroyo Capital Projects Fund</u>
Revenues			
Franchise taxes	\$ 41,141	\$ -	\$ -
Property taxes	105,699	-	-
Gross receipt taxes	806,812	-	-
Gas tax	7,091	-	-
Charges for services	149,165	-	-
State operating grants	230,491	-	-
State capital grants	-	320,609	277,141
Miscellaneous income	82,271	-	-
Interest income	1,768	-	-
Total Revenues	<u>1,424,438</u>	<u>320,609</u>	<u>277,141</u>
Expenditures			
Current:			
General government	660,536	-	-
Public safety	786,011	-	-
Public works	56,073	-	2,405
Culture and recreation	70,636	-	-
Health and welfare	-	-	-
Capital outlay	31,828	423,258	120,959
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,605,084</u>	<u>423,258</u>	<u>123,364</u>
Excess (deficiency) of revenues over expenditures	<u>(180,646)</u>	<u>(102,649)</u>	<u>153,777</u>
Other financing sources (uses)			
Transfers in	521,216	60,617	-
Transfers out	(179,759)	-	(176,191)
Total other financing sources (uses)	<u>341,457</u>	<u>60,617</u>	<u>(176,191)</u>
Net change in fund balance	160,811	(42,032)	(22,414)
Fund balance - beginning of the year	<u>7,213,662</u>	<u>33,433</u>	<u>53,642</u>
Fund balance - end of year	<u>\$ 7,374,473</u>	<u>\$ (8,599)</u>	<u>\$ 31,228</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Total Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ 41,141
-	105,699
-	806,812
-	7,091
123,585	272,750
84,576	315,067
113,216	710,966
11,780	94,051
159	1,927
<u>333,316</u>	<u>2,355,504</u>
-	660,536
93,234	879,245
38,853	97,331
173,545	244,181
12,757	12,757
229,033	805,078
17,164	17,164
1,089	1,089
<u>565,675</u>	<u>2,717,381</u>
-	
<u>(232,359)</u>	<u>(361,877)</u>
119,142	700,975
<u>(359,589)</u>	<u>(715,539)</u>
<u>(240,447)</u>	<u>(14,564)</u>
<u>(472,806)</u>	<u>(376,441)</u>
<u>1,171,984</u>	<u>8,472,721</u>
<u>\$ 699,178</u>	<u>\$ 8,096,280</u>

See Independent Auditors' Report and Notes to Financial Statements

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**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017**

Net Change in Fund Balance - Governmental Funds **\$ (376,441)**

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 and reported as depreciation expense:

Capital expenditures recorded in capital outlay	805,078
Depreciation expense	(748,805)

Expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in pension liability	(152,579)
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Change in accrued compensated absences	(7,267)
Principal payments on bonds and notes payable	17,164

Change in Net Position of Governmental Activities	<u><u>\$ (462,850)</u></u>
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STATE OF NEW MEXICO

Exhibit C-1

Village of Hatch

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	80,000	80,000	\$ 107,286	\$ 27,286
Gross receipts	675,000	675,000	771,130	96,130
Gasoline and Motor vehicle	-	-	7,091	7,091
Other	-	-	-	-
Franchise tax	40,000	40,000	40,176	176
Intergovernmental income:				
State operating grants	253,400	253,400	230,491	(22,909)
State capital grants	-	-	-	-
Charges for services	-	-	150,274	150,274
License and fees	104,500	104,500	-	(104,500)
Investment income	100	100	1,768	1,668
Miscellaneous	(114,250)	114,250	81,349	(32,901)
Total revenue	<u>1,038,750</u>	<u>1,267,250</u>	<u>1,389,565</u>	<u>122,315</u>
Expenditures				
Current				
General government	781,808	781,808	669,977	111,831
Public safety	842,770	842,770	786,011	56,759
Public works	55,500	55,500	56,073	(573)
Culture and recreation	84,013	84,013	70,636	13,377
Capital outlay	-	-	31,828	(31,828)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,764,091</u>	<u>1,764,091</u>	<u>1,614,525</u>	<u>149,566</u>
Excess (deficiency) of revenues over expenditures	<u>(725,341)</u>	<u>(496,841)</u>	<u>(224,960)</u>	<u>271,881</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	725,341	496,841		
Transfers in	715,355	755,640	521,216	(234,424)
Transfers out	(218,514)	(317,299)	(179,759)	137,540
Total other financing sources (uses)	<u>496,841</u>	<u>438,341</u>	<u>341,457</u>	<u>(96,884)</u>
Net Change in fund balance	(228,500)	(58,500)	116,497	
Fund balance - beginning of year			7,213,662	
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,330,159</u>	
Net change in fund balance (non-GAAP budgetary basis)			116,497	
Adjustments to revenue for taxes receivable			34,873	
Adjustment to expenditures for salaries, maintenance, and supplies			9,441	
Net Change in fund balance (GAAP basis)			<u>\$ 160,811</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Statement of Net Position – Proprietary Funds
June 30, 2017

Exhibit D-1

	Joint Utility	Solid Waste	Total
Assets			
Cash and cash equivalents	\$ 263,166	\$ 87,502	350,668
Restricted cash	176,205	-	176,205
Accounts receivable	65,951	32,921	98,872
Other receivable	246,268		246,268
Total current assets	751,590	120,423	872,013
Noncurrent assets			
Capital assets	10,642,857	-	10,642,857
Less: accumulated depreciation	(7,077,394)	-	(7,077,394)
Total noncurrent assets	3,565,463	-	3,565,463
Deferred outflows of resources			
Deferred outflows from pension	84,942	-	84,942
Total assets, and deferred outflows of resources	\$ 4,401,995	\$ 120,423	\$ 4,522,418
Liabilities deferred inflows, and net position			
Liabilities			
Accounts payable	\$ 102,901	\$ 45,393	\$ 148,294
Accrued salaries and benefits	8,048	-	8,048
Notes payable	19,140	-	19,140
Compensated absences	11,578	-	11,578
Total current liabilities	141,667	45,393	187,060
Noncurrent liabilities			
Customer deposits	38,404	-	38,404
Notes payable	755,679	-	755,679
Compensated absences	5,702	-	5,702
Net pension liability	190,534	-	190,534
Total noncurrent liabilities	990,319	-	990,319
Total Liabilities	1,131,986	45,393	1,177,379
Deferred inflows of resources			
Deferred inflows from pension	3,103	-	3,103
Net position			
Net investment in capital asset	3,565,463	-	3,565,463
Restricted for:			
Debt service	137,801	-	137,801
Unrestricted	(436,358)	75,030	(361,328)
Total net position	3,266,906	75,030	3,341,936
Total liabilities, deferred inflows of resources and net position	\$ 4,401,995	\$ 120,423	\$ 4,522,418

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit D-2

Village of Hatch

**Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Year Ended June 30, 2017**

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 484,061	\$ 268,031	\$ 752,092
Total operating revenues	<u>484,061</u>	<u>268,031</u>	<u>752,092</u>
Operating expenses:			
Depreciation and amortization	186,352	-	186,352
Personnel services	276,732	-	276,732
Contractual services	1,603	257,776	259,379
Supplies	7,634	-	7,634
Maintenance and materials	29,375	-	29,375
Utilities	89,605	-	89,605
Miscellaneous	65,176	-	65,176
Total operating expense	<u>656,477</u>	<u>257,776</u>	<u>914,253</u>
Operating income (loss)	<u>(172,416)</u>	<u>10,255</u>	<u>(162,161)</u>
Non-operating revenues (expense):			
Gross receipts taxes	82,961	-	82,961
Interest income	239	-	239
Interest expense	(22,394)	-	(22,394)
Miscellaneous income (expense)	-	-	-
Total non-operating revenues (expense)	<u>60,806</u>	<u>-</u>	<u>60,806</u>
Income (loss) before contributions and transfers	<u>(111,610)</u>	<u>10,255</u>	<u>(101,355)</u>
Transfers in	14,564	-	14,564
Capital grants	186,455	-	186,455
Total contributions and transfers	<u>201,019</u>	<u>-</u>	<u>201,019</u>
Change in Net Position	<u>89,409</u>	<u>10,255</u>	<u>99,664</u>
Net Position - beginning of the year	<u>3,177,497</u>	<u>64,775</u>	<u>3,242,272</u>
Net Position - end of the year	<u><u>\$ 3,266,906</u></u>	<u><u>\$ 75,030</u></u>	<u><u>\$ 3,341,936</u></u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2017

Exhibit D-3

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 463,610	\$ 268,544	\$ 732,154
Cash payments to employees for services	(262,926)	-	(262,926)
Cash payments to suppliers for goods and services	(97,930)	(234,537)	(332,467)
Net cash used by operating activities	<u>102,754</u>	<u>34,007</u>	<u>136,761</u>
Cash flow from noncapital financing activities:			
Taxes received	82,961	-	82,961
Transfers	14,564	-	14,564
Net cash provided (used) by noncapital financing activities	<u>97,525</u>	<u>-</u>	<u>97,525</u>
Cash flows from capital and related financing activities:			
Interest paid	(22,394)	-	(22,394)
Principal payments	(18,134)	-	(18,134)
Acquisition of capital assets	(350,093)	-	(350,093)
Net cash used by capital and related financing activities	<u>(390,621)</u>	<u>-</u>	<u>(390,621)</u>
Cash flows from investing activities:			
Interest income	239	-	239
Net cash provided by investing activities	<u>239</u>	<u>-</u>	<u>239</u>
Net increase (decrease) in cash and cash equivalents	(190,103)	34,007	(156,096)
Cash & cash equivalents - beginning of year	<u>629,474</u>	<u>53,495</u>	<u>682,969</u>
Cash & cash equivalents - end of year	<u>\$ 439,371</u>	<u>\$ 87,502</u>	<u>\$ 526,873</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (172,416)	\$ 10,255	\$ (162,161)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Pension expense	9,074	-	9,074
Depreciation	186,352	-	186,352
Changes in assets & liabilities:			
Receivables	(1,128)	513	(615)
Accounts payable	76,290	23,239	99,529
Accrued salaries and benefits	1,758	-	1,758
Compensated absences	2,974	-	2,974
Customer deposits	(150)	-	(150)
Net cash provided (used) by operating activities	<u>\$ 102,754</u>	<u>\$ 34,007</u>	<u>\$ 136,761</u>

See Independent Auditors' Report and Notes to Financial Statements

FIDUCIARY FUNDS

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STATE OF NEW MEXICO
Village of Hatch
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E-1

	Revolving Loan Fund
Assets	
Cash and Cash Equivalents	\$ 443,511
Notes Receivable	40,561
Total Assets	<u>\$ 484,072</u>
Liabilities	
Held in Fiduciary Fund Account	<u>\$ 484,072</u>
Total Liabilities	<u>\$ 484,072</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The Village of Hatch (Village) was incorporated in 1928, under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, etc.); highways and streets; water, sewer services, and solid waste; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Village is a body politic and corporate under the name and form of government selected by its qualified electors. The Village may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Village is presented to assist in the understanding of Village's financial statements. The financial statements and notes are the representation of Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Village, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based on the criteria above the Village does not have any component units and is not a component unit of any other government agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's Net Position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Financial Reporting Entity (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Village facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is allocated to separate functions on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports the following major governmental funds:

Governmental funds include:

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

Street Improvements Capital Projects Fund accounts for receipts and expenditures of the grants and State legislative appropriations for major street improvements. This fund is authorized by the State Legislative Appropriations.

Placitas Arroyo Capital Projects Fund accounts for receipt and expenditure for improvement of Placitas Arroyo. This fund is authorized by the Village Council.

The Village reports the following proprietary funds as major funds. Proprietary funds include:

The *Joint Utility fund* accounts for the fees generated and expenditures incurred for water and sewer services.

The Solid Waste fund accounts activities of the Village's solid waste utility. The Village contracts with Southwest Disposal who handles the Village's Solid Waste Services.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the government reports the following fiduciary funds:

Revolving Loan Fund accounts for community business improvement loans and the collection of payments. This fund is for the benefit of private citizens as assistance in development of the Village of Hatch.

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance

Cash and Cash Equivalents: The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in certificates of deposit, obligations of the U.S. Government, interest-bearing savings accounts, bonds or other obligations of the United States Government, that are guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered 100% collectible.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements. As of June 30, 2017, the Village had no prepaid expenses.

Capital Assets: Capital assets, which include property, plant, utility systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information technology equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	32-39
Other Improvements	10-40
Infrastructure	15-40
Machinery and Equipment	5-10

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable PERA and Retiree Health Care.

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable not uncollected within sixty (60) days of year-end are classified as unearned revenue. The Village did not have material unearned revenues as of June 30, 2017.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Deferred Outflows of Resources Related to Pension: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Village recognized deferred outflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$897,843. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

Deferred Inflows of Resources Related to Pension: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Village recognized deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability in the amount of \$32,804. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions: The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows 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.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule, which is dependent on their length of service. Employees may accumulate 288 hours of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for a maximum of 288 hours of accrued annual leave.

Employees can earn vacation leave at various rates depending on the employee's length of service, as follows:

<u>Employee Duration</u>	<u>Hours Accumulated</u>
0-1 Year	40 hours
1-10 Years	96 hours
10 Years and Over	144 hours

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Employees can carry over up to 480 hours of sick leave from year to year. Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated within the next twelve months with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of 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.

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government's highest level of decision-making authority.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Village applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from that fund are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers.

Tax Revenues: The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and May 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Village records only the portion of the taxes considered 'measureable' and 'available' in the governmental fund financial statements.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Village are prepared prior to June 1st and must be approved by resolution of the Village Trustees, and submitted to the Department of Finance and Administration (DFA) for State approval. Once the budget has been formally approved, any amendments that increase or decrease an individual fund's budget must also be approved by the Village Trustees and the DFA. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

For Governmental Funds these budgets are prepared on a Non-GAAP cash budgetary 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.

Proprietary fund budgets are prepared on the GAAP 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. The Village does not budget for depreciation expense, only capital outlay.

Formal budgetary integration is employed as a management control device at the fund level during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

The Village is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

For governmental funds the accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 3. Cash and Cash Equivalents

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the Village's accounts at an insured depository institution, including time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978) that require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

At June 30, 2017, \$6,715,961 of the Village's bank balance of \$7,465,961 were exposed to custodial credit risk, \$5,899,396 of the Villages cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Village's name, and \$816,565 was uninsured and uncollateralized at June 30, 2017.

	<u>1st New Mexico Bank</u>	<u>Bank of the Southwest</u>	<u>Wells Fargo</u>	<u>Total</u>
Deposits	\$ 342,351	\$ 2,182,293	\$ 4,941,317	\$ 7,465,961
Less: FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(750,000)</u>
Total uninsured public funds	<u>92,351</u>	<u>1,932,293</u>	<u>4,691,317</u>	<u>6,715,961</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>1,845,128</u>	<u>1,250,000</u>	<u>4,557,045</u>	<u>7,652,173</u>
Uninsured and uncollateralized	<u>-</u>	<u>682,293</u>	<u>134,272</u>	<u>816,565</u>
Collateral requirements (50% of uninsured funds)	46,176	966,147	2,345,659	3,357,981
Pledged Collateral	<u>1,845,128</u>	<u>1,250,000</u>	<u>4,557,045</u>	<u>7,652,173</u>
Over (under) collateralized	<u>1,798,953</u>	<u>283,854</u>	<u>2,211,387</u>	<u>4,294,193</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 3. Cash and Cash Equivalents (continued)

The Carrying Amount of deposits and investments shown above are included in the Village's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$ 6,350,853
Cash and cash equivalents - Business-type Activities Exhibit A-1	350,668
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1	174,174
Restricted cash and cash equivalents - Business-type Activities Exhibit A-1	176,205
Cash and cash equivalents - Fiduciary Funds Exhibit E-1	443,511
Total cash and cash equivalents	<u>\$ 7,495,411</u>
Add: outstanding checks	14,861
Less: outstanding deposits	(44,011)
Less: Cash on hand	(300)
Bank balance of deposits	<u>\$ 7,465,961</u>

NOTE 4. Investments

State statutes authorize the investment of Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village are in direct violation of State investment requirements as of June 30, 2017.

The Village's investments in Dona Ana County, NM at June 30, 2017 consisted of an investment in land held for sale in the City of Las Cruces, New Mexico. The Village's original cost of this investment is \$2,000,000 and the current market value is not readily determinable. The land originally consisted of 125 acres of undeveloped land and 21 developed residential lots. The Village purchased the land on May 30, 2012 and is in the process of liquidating this investment. During the fiscal year ended June 30, 2017 the Village did not liquidate any of this investment. As of June 30, 2017 the Village had 13 developed lots listed for sale with various asking prices per lot. The total asking price of the remaining 13 lots is approximately \$826,000. The historical difference between the asking price and the net proceeds received after discounts and closing costs is approximately -11%. The 125 acres of land is currently listed for sale at \$1,965,000.

The Village's investment in land is exposed to various types of risk including liquidity risk. An investment is considered to be liquid if it is converted into cash in a reasonable period of time, at a reasonable price and at a reasonable cost.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 5. Accounts and Taxes Receivable

Receivables as of June 30, 2017 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Property taxes	\$ 10,944	\$ -	\$ -
Gross receipts taxes	163,618	-	-
Franchise taxes	9,112	-	-
Gasoline taxes	922	-	-
Other receivables:			
Customer receivables	-	98,872	40,561
Grants and other governments	-	246,268	-
Total	<u><u>\$ 184,596</u></u>	<u><u>\$ 345,140</u></u>	<u><u>\$ 40,561</u></u>

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. The Village does not accrue an allowance for doubtful accounts related to its customer receivables in proprietary funds since there are no account receivable balances older than 90 days, and balances older than 60 days are immaterial to the financial statements.

Fiduciary Notes Receivable Revolving Loan Fund is as follows:

<u>Promisor</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Loan Balance 6/30/2017</u>
All Aboard Preschool	\$ 45,000	4% per annum	\$ 12,206
All Aboard Preschool	100,000	4% per annum	9,488
Hatch Auto Electric	50,000	4% per annum	18,867
Net Receivables	<u><u>\$ 195,000</u></u>		<u><u>\$ 40,561</u></u>

These notes receivable are considered to be 100% collectible.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 6. Transfers

Operating transfers are made to close out funds and supplement other funding sources in the normal course of operations are as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Equipment Building	\$ 39,142
Placitas Arroyo	General Fund	176,191
Fire Fund	General Fund	33,500
Municipal Street Appropriations	General Fund	63,699
General Fund	Library	40,000
General Fund	Swimming Pool Facility	40,000
General Fund	Street Improvements	60,617
Airport Action Plan	General Fund	247,826
Meter Project	Joint Utility	14,564
<u>Total</u>		<u>\$ 715,539</u>

In the current fiscal year the Village reconciled prior period expenses which were incurred by the General Fund which related to Placitas Arroyo, Fire Fund, and Municipal Street Appropriations and the Airport Action Plan which resulted in transfers from these special revenue funds to reimburse the General Fund for these prior costs incurred.

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 is as follows (land and construction in progress is not subject to depreciation):

Governmental Activities:	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>CIP Transfers</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 2,509,965	\$ 189,142	\$ -	\$ 2,699,107
Construction in process (CIP)	504,107	544,217	(362,635)	685,689
Total capital assets, not depreciated	<u>3,014,072</u>	<u>733,359</u>	<u>(362,635)</u>	<u>3,384,796</u>
Capital assets depreciated:				
Buildings	5,511,885	-	-	5,511,885
Other improvements	4,301,625	-	-	4,301,625
Infrastructure	4,314,970	-	362,635	4,677,605
Machinery and equipment	1,329,647	71,719	-	1,401,366
Total capital assets, depreciated	<u>15,458,127</u>	<u>71,719</u>	<u>-</u>	<u>15,892,481</u>
Less accumulated depreciation:				
Buildings	2,286,519	160,382	-	2,446,901
Other improvements	1,685,552	207,110	-	1,892,662
Infrastructure	1,847,538	276,150	-	2,123,688
Machinery and equipment	898,092	105,163	-	1,003,255
Total accumulated depreciation	<u>6,717,701</u>	<u>\$ 748,805</u>	<u>-</u>	<u>7,466,506</u>
Capital Assets, Net	<u>\$ 11,754,498</u>			<u>\$ 11,810,771</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 7. Capital Assets (continued)

There were no deletions of capital assets in fiscal year 2017. Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

General Government	261,140
Public Safety	347,606
Public Works	38,479
Culture and Recreation	96,536
Health and welfare	5,044
Total depreciation expense, governmental activities	<u>\$ 748,805</u>

Business-type activities:	Balance June 30, 2016	Additions	Balance June 30, 2017
Capital assets not depreciated:			
Land	\$ 62,099	\$ -	\$ 62,099
Construction in process (CIP)	-	350,093	350,093
Total capital assets not depreciated	<u>62,099</u>	<u>350,093</u>	<u>412,192</u>
Capital asset depreciated:			
Buildings	54,666	-	54,666
Utility system	9,005,523	-	9,005,523
Machinery and equipment	1,170,476	-	1,170,476
Total capital assets, depreciated	<u>10,230,665</u>	<u>-</u>	<u>10,230,665</u>
Less accumulated depreciation:			
Buildings	54,666	-	54,666
Utility system	5,672,451	185,416	5,857,867
Machinery and equipment	1,163,925	936	1,164,861
Total accumulated depreciation	<u>6,891,042</u>	<u>186,352</u>	<u>7,077,394</u>
Capital Assets, Net	<u>\$ 3,401,722</u>		<u>\$ 3,565,463</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 8. Long-term Debt

Governmental Activities

During the year ended June 30, 2017, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position in governmental activities:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
NMFA Loans	\$ 52,564	\$ -	\$ 17,164	\$ 35,400	\$ 17,501
Compensated Absences	21,133	18,963	11,696	28,400	11,696
Total Long Term Debt	<u>\$ 73,697</u>	<u>\$ 18,963</u>	<u>\$ 28,860</u>	<u>\$ 63,800</u>	<u>\$ 29,197</u>

On June 20, 2008 the Village borrowed \$162,634 for the purpose of purchasing a new fire pumper truck. This loan is secured and payable from the fire protection fund revenues, which are distributed by the New Mexico State Treasurer directly to the New Mexico Finance Authority. This loan has an average interest rate of approximately 2% and matures on May 1, 2019.

The debt service requirements on long term debt for governmental activities at June 30, 2017 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	17,501	752	18,253
2019	17,899	389	18,288
Total	<u>\$ 35,400</u>	<u>\$ 1,141</u>	<u>\$ 36,541</u>

Business-Type Activities

During the year ended June 30, 2017, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position in Business-Type Activities:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
USDA Revenue Bonds	\$ 705,400	\$ -	\$ 13,000	\$ 692,400	\$ 14,000
NMED Clean Water Loan	37,500	-	2,500	35,000	2,500
NMFA Loans	9,413	40,640	2,634	47,419	2,640
Compensated Absences	14,306	14,552	11,578	17,280	11,578
Total Long Term Debt	<u>\$ 766,619</u>	<u>\$ 55,192</u>	<u>\$ 29,712</u>	<u>\$ 792,099</u>	<u>\$ 30,718</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 8. Long-term Debt (continued)

Business-Type Activities (continued)

Revenue Bonds

The Village has four separate issuances of bonds outstanding with the USDA. The first was issued on August 26, 1998 in the amount of \$211,400 and matures August 26, 2024. The second, third, and fourth were all issued May 25, 2011 in the amounts of \$454,000 and \$132,000 and \$80,000, respectively, and have maturities of May 24, 2051, May 24, 2051, and September 15, 2030 respectively. These bonds issuances were for the purposes of undertaking capital improvements projects for the Joint Utility System. These bonds are secured and payable from the net revenues of the Village's Joint Utility. These bonds have an accumulative asset reserve as of June 30, 2017 in the amount of \$99,242. These loans have average interest rate between 2.3% and 2.65%.

New Mexico Clean Water Loan

On December 17, 2009 the Village borrowed \$50,000 from the New Mexico Environment Department for the purpose of undertaking capital improvements. This loan is secured by and payable from the net revenues derived from the operation of the Joint Utility.

NMFA Loan

On March 22, 2013 The Village borrowed \$11,026 from the New Mexico Finance Authority for the purposed of planning, designing, and permitting a new supplement water production well for the Village's Public Water System. This Loan is secured by and payable from the net revenues derived from the operation of the Joint Utility System.

During the fiscal year 2017 the Village entered into a grant loan agreement for \$372,860 and \$40,640 respectively for the purposes of constructing water transmission lines for the Joint Utility.

The debt service requirements on long-term debt for business type activities at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 19,140	\$ 21,593	\$ 72,726
2019	19,147	21,138	70,804
2020	19,154	20,684	37,714
2021	19,160	20,230	65,862
2022	20,166	19,728	62,866
2023-2027	113,935	90,475	279,965
2028-2032	123,604	74,931	217,179
2033-2037	126,113	56,512	176,424
2038-2042	132,400	34,676	157,958
2043-2047	97,000	19,474	118,343
2048-2051	85,000	6,109	123,574
Total	\$ 774,819	\$ 385,550	\$ 1,383,414

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 9. Risk Management

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Village participates in the New Mexico Self-Insurers' Fund risk pool.

The Village has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Village which exceeds the insurance coverage, the Village would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

As of June 30, 2017, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 10. Pension Plan- Public Employees Retirement Association

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/>.

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, 2016 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202016.pdf).

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Contributions

The contribution requirements of defined benefit plan members and the Village are established by 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 fiscal year 2017 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA fiscal year 2016 annual audit report at:

[http://osanm.org/media/audits/366 Public Employees Retirement Association 2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf).

The PERA coverage options that apply to the Village are: Municipal General and Municipal Police. The Municipal Fire Division does not apply to the Village. Statutorily required contributions to the pension plan from the Village were \$103,507 for the year ended June 30, 2017. The Village did not pick up any portion of the employees contributions.

Contributions. See PERA's comprehensive annual financial report for Contributions provided descriptions:

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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 Village's proportion of the net pension liability for each membership 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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 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, 2017, the Village reported a liability of \$913,863 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was .0572 percent, which was slightly changed from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal General Pension expense of \$45,469. At June 30, 2017, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,661	\$ 8,919
Changes of assumptions	53,587	152
Net difference between projected and actual earnings on pension plan investments	168,149	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	52,237	-
Village's contributions subsequent to the measurement date	45,469	-
Total	<u>\$ 365,103</u>	<u>\$ 9,071</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Village contributions of \$45,469 are reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	75,018
2019	75,018
2020	116,875
2021	43,652
<u>Thereafter</u>	<u>-</u>
Total	<u><u>310,563</u></u>

For PERA Fund Division Municipal Police, at June 30, 2017, the Village reported a liability of \$1,100,104 for its proportionate share of the net pension liability. At June 30, 2016, the Village's proportion was .1491 percent, which was slightly changed from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Village recognized PERA Fund Division Municipal Police pension expense of \$58,038. At June 30, 2017, the Village reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,763	\$ -
Changes of assumptions	72,865	19,840
Net difference between projected and actual earnings on pension plan investments	173,988	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	147,086	3,893
Village's contributions subsequent to the measurement date	<u>58,038</u>	<u>-</u>
Total	<u><u>\$ 532,740</u></u>	<u><u>\$ 23,733</u></u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Village contributions of \$58,038 reported as deferred outflows of resources related to pensions resulting the Village's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	138,164
2019	138,164
2020	130,242
2021	44,399
Thereafter	-
Total	<u>450,969</u>

Actuarial Assumptions: The total pension liability at June 30, 2017 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	Fair value
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00% annual rate
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 to June 30, 2013

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:

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented FI	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.48%. 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. Therefore, the 7.48% assumed long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Village's net pension liability in each PERA Fund Division that the Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
Village's proportionate share of the net pension liability	\$ 1,362,489	\$ 913,863	\$ 541,751

<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
Village's proportionate share of the net pension liability	\$ 1,618,526	\$ 1,100,104	\$ 676,095

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description: The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy: The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

The Village's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$16,109, \$15,751 and \$14,587 respectively, which equal the required contributions for each year.

NOTE 12. Other Required Fund Disclosures

Generally accepted accounting principles require disclosures as part of certain information concerning individual funds including:

A. The deficit fund balance of individual funds as of June 30, 2017 was as follows:

<u>Fund</u>	<u>Amount</u>
Meters Project	\$ (2,315)
Street Improvements	\$ (8,599)

Note 13. Interfund Receivables and Payables

The Village records temporary interfund receivables and payables to enable funds to operate until grant and other revenues to funds are available. The composition of interfund balances at June 30, 2017 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Street Improvements	\$ 8,599
General Fund	Meter Project	\$ 500

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 20, 2017 which is the date on which the financial statements were available to be issued.

NOTE 15. Restricted net position

The government-wide statement of net position reports \$906,895 of restricted amounts in governmental activities, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, capital projects, see page 35 and pages 68-69. The government-wide statement of net position reports \$137,801 of restricted amounts in business-type activities, all of which is restricted for debt service.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 16. Leases

The Village has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2018	\$ 564
2019	-
2020	-
2021	-
2022	-
Total	<u><u>\$ 564</u></u>

NOTE 17. Related Party

As of June 30, 2017, the Village's management was not aware of any related party relationships.

NOTE 18. Joint powers agreements

Mesilla Valley Regional Dispatch Authority (MVRDA)

Participants	Village of Hatch, Doña Ana County (DAC), City of Las Cruces, Village of Hatch, City of Sunland Park.
Responsible Party	DAC
Description	DAC shall continue to provide space, utilities, and janitorial services for MVRDA, consistent with DAC policies and procedures providing space and services for DAC entities.
Period	Perpetual
Project Costs	Undeterminable
County Contributions	Undeterminable
Audit Responsibility	MVRDA

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 18. Joint powers agreements (continued)

Housing of Prisoners

Participants	Village of Hatch and Doña Ana County (DAC)
Responsible Party	DAC
Description	DAC shall continue to house and feed municipal prisoners, space permitting. The County will operate the detention facility and provide security for prisoners. Any jurisdiction housing prisoners in the facility may inspect the jail at pre-arranged times.
Period	July 1, 2006 and extended on an annual basis.
Project Costs	\$79 per day per prisoner effective July 1, 2009, and any costs of medical care not covered by prisoner or if the prisoner is not covered by the indigent health care fund. \$8.00 per prisoner for booking and fingerprinting.
County Contributions	None
Audit Responsibility	DAC

Animal Control Services

Participants	Village of Hatch and Doña Ana County (DAC)
Responsible Party	DAC
Description	DAC shall provide animal control services to the Village upon request of the Village.
Period	July 7, 2008 and extended on an annual basis.
Project Costs	The Village shall pay DAC a fee of \$15.00 for each requested trip, \$25.00 as compensation for the officer's time and use of County equipment, and \$12.00 per day for shelter charges.
County Contributions	None
Audit Responsibility	DAC

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 18. Joint powers agreements (continued)

Building Permits and Inspections

Participants	Village of Hatch and Doña Ana County (DAC)
Responsible Party	DAC
Description	DAC shall perform plan review services, building inspections pursuant to the County's Building Ordinance No. 170-97, in its entirety, within the limits of the Village's planning and platting jurisdiction.
Period	Perpetual
Project Costs	Applicant fees collected by DAC in accordance with DAC's fee schedule.
County Contributions	None
Audit Responsibility	DAC

Fire Protection and Emergency Response

Participants	Village of Hatch and City of Las Cruces
Responsible Party	Both parties will keep records
Description	To provide for mutual fire protection and emergency response between the jurisdictional areas of both governmental entities upon request from the Hatch fire chief or their designee, or any Las Cruces fire chief ranking officer or their designee.
Period	Perpetual
Project Costs	Neither party shall be entitled to any reimbursement for all or any part of the costs or expenses incurred by such party in furnishing mutual aid outside of its jurisdiction.
County Contributions	None
Audit Responsibility	Both parties have individual audit responsibility.

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REQUIRED SUPPLEMENTARY INFORMATION

Village of Hatch

Schedules of Required Supplementary Information

Schedule of the Village of Hatch Proportionate Share of the Net Pension Liability

PERA Fund Division – Municipal Police

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL POLICE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability (asset)	0.1491	0.1502	0.0913
Village's proportionate share of the net pension liability (asset)	\$ 1,100,104	\$ 722,246	\$ 297,628
Village's covered-employee payroll	\$ 312,908	\$ 301,535	\$ 312,258
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	351.57%	239.52%	95.31%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

Village of Hatch

Schedules of Required Supplementary Information

Schedule of the Village of Hatch Proportionate Share of the Net Pension Liability

PERA Fund Division – Municipal General

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability (asset)	0.0572	0.0524	0.0499
Village's proportionate share of the net pension liability (asset)	\$ 913,863	\$ 534,263	\$ 389,274
Village's covered-employee payroll	\$ 476,111	\$ 490,210	\$ 369,008
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	191.94%	108.99%	105.49%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Hatch
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal Police
Last 10 Years*

Schedule II

MUNICIPAL POLICE FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 58,044	\$ 55,935	\$ 57,924
Contributions in relation to the contractually required contribution	\$ 58,038	\$ 56,062	\$ 58,160
Contribution deficiency (excess)	\$ 6	\$ (127)	\$ (236)
Village's covered-employee payroll	\$ 312,908	\$ 301,535	\$ 312,258
Contributions as a percentage of covered-employee payroll	18.55%	18.59%	18.63%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Hatch
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II

MUNICIPAL GENERAL FUND

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 45,469	\$ 46,815	\$ 39,299
Contributions in relation to the contractually required contribution	45,469	46,815	38,963
Contribution deficiency (excess)	\$ (0)	\$ 0	\$ 336
Village's covered-employee payroll	\$ 476,111	\$ 490,210	\$ 369,008
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	10.56%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Village will present information for those years for which information is available.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Schedule of Required Supplementary Information
For the year Ended June 30, 2017

Changes of benefit terms.

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Village of Hatch
Nonmajor Fund Description
June 30, 2017

SPECIAL REVENUE FUNDS

Correction – To account for judicial fees and administration costs. (NMSA 35-14-11)

EMS – To account for grant from the State of New Mexico for expenditures for emergency medical services. (NMSA 24-10A-1 to 24-1-10A-10)

Fire Fund – State statutes section 59-15, provides the revenue accumulated by the state from taxes on fire and vehicle insurance companies and deposits in the Fire Protection Fund to be distributed to local public bodies for the operation, betterment and maintenance of local fire departments. This fund is used to account for the operation of the Village's fire protection agency. Expenses do not include personnel costs. (NMSA 59A-57-1)

Law Enforcement – State Statutes Section 29-13 provides for the distribution of funds from the State Law Enforcement Protection Fund to municipal and the Village Police and Sheriff Department for the maintenance and improvement of those departments in order to enhance the efficiency and effectiveness of law enforcement services provided. The fund is used to account for specific law enforcement expenditures not included in the general fund. Financing is provided by a state allocation and can only be used for law enforcement equipment and personnel training (NMSA 29-13-3).

Lodger's Tax – To account for expenditures for the promotion of the Hatch area. Financing is provided by a tax charged on motel rooms in the Village of Hatch. (NMSA 3-38-13 to 3-38-24)

Parks and Recreation – To account for the operation of summer recreation programs. Financing is provided by grants from Dona Ana County. Authorized by Village Council Ordinance.

Swimming Pool Facility – The swimming pool facility was opened to the public during the current year. This fund is to assist in accounting for revenues and expenditures of the facility.

Library – To account for the State Grant to be utilized for the acquisition of library materials. (State Grant and Village Council Ordinance)

Police Seizure – To account for funds received from the sale of seized assets and the expenditures for drug prevention programs (NMSA 7-38-58-1974)

Cemetery – To account for revenue and expenditures for the cemetery facility financing is provided by grants and the Garden Club. (NMSA 35-14-11)

CAPITAL PROJECTS FUNDS

Equipment/Building – To account for expenditures related to repair and maintenance and capital improvements to the Village's infrastructure. Authorized by Village Council Ordinance.

Municipal Street Appropriations – To account for receipts and expenditures of State Grants for street improvements. Authorized by Village Council Ordinance.

STATE OF NEW MEXICO
Village of Hatch
Nonmajor Fund Description
June 30, 2017

CAPITAL PROJECTS FUNDS (continued)

Airport Action Plan - To account for the grant revenues and expenses associated with the airport action plan. Authorized by State Legislation NMSA 64-2-1 2001 and Federal Grant 3-35-0021-007 2011.

Rapid Response Fire Truck - To account for the receipts, loans and expenditures related to the purchase of a fire truck.

Meter Project – To account for the receipts of state capital grants for the upgrading of the Joint Utility water meters. Authorized by the State Capital Grant and Village Council Ordinance.

STATE OF NEW MEXICO
Village of Hatch
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Corrections	EMS	Fire Fund	Law Enforcement	Lodgers' Tax
Assets					
Cash and cash equivalents	\$ 289,669	\$ -	\$ 130,045	\$ -	\$ 8,485
Total assets	\$ 289,669	\$ -	\$ 130,045	\$ -	\$ 8,485
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 8,325	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	8,325	-	-
Fund balance					
Restricted	289,669	-	121,720	-	8,485
Unassigned	-	-	-	-	-
Total fund balance	289,669	-	121,720	-	8,485
Total liabilities and fund balance	\$ 289,669	\$ -	\$ 130,045	\$ -	\$ 8,485

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue Funds					Capital Project Funds	
Parks and Recreation	Swimming Pool Facility	Library	Police Seizure	Cemetery	Equipment Building	Municipal Street Appropriations
\$ 4,833	\$ 16,837	\$ 14,170	\$ 3,985	\$ 223,406	\$ -	\$ -
\$ 4,833	\$ 16,837	\$ 14,170	\$ 3,985	\$ 223,406	\$ -	\$ -
\$ -	\$ 5,488	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	5,488	-	-	-	-	-
4,833	11,349	14,170	3,985	223,406	-	-
-	-	-	-	-	-	-
4,833	11,349	14,170	3,985	223,406	-	-
\$ 4,833	\$ 16,837	\$ 14,170	\$ 3,985	\$ 223,406	\$ -	\$ -

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STATE OF NEW MEXICO
Village of Hatch
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Statement A-1
Page 2 of 2

	<u>Capital Project Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Airport Action Plan</u>	<u>Rapid Response Fire Truck</u>	<u>Meter Project</u>	
Assets				
Cash and cash equivalents	\$ -	\$ 23,876	\$ -	\$ 715,306
Total assets	<u>\$ -</u>	<u>\$ 23,876</u>	<u>\$ -</u>	<u>\$ 715,306</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,815	15,628
Due to other funds	-	-	500	500
Total liabilities	<u>-</u>	<u>-</u>	<u>2,315</u>	<u>16,128</u>
Fund balance				
Restricted	-	23,876	-	701,493
Unassigned	-	-	(2,315)	(2,315)
Total fund balance	<u>-</u>	<u>23,876</u>	<u>(2,315)</u>	<u>699,178</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 23,876</u>	<u>\$ -</u>	<u>\$ 715,306</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Corrections	EMS	Fire Fund	Law Enforcement	Lodgers' Tax
Revenues					
Charges for services	\$ 90,950	\$ -	\$ -	\$ -	\$ -
State operating grants	-	6,460	49,450	24,800	-
State capital grants	-	-	23,529	-	-
Miscellaneous income	-	-	-	-	1,746
Interest income	-	-	-	-	-
Total revenue	90,950	6,460	72,979	24,800	1,746
Expenditures					
Current:					
Public safety	4,356	6,460	41,926	24,800	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	17,164	-	-
Interest	-	-	1,089	-	-
Total expenditures	4,356	6,460	60,179	24,800	-
Excess (deficiency) of revenues over expenditures	86,594	-	12,800	-	1,746
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(33,500)	-	-
Total other financing sources (uses)	-	-	(33,500)	-	-
Net change in fund balance	86,594	-	(20,700)	-	1,746
Fund balance - beginning of year	203,075	-	142,420	-	6,739
Fund balance - end of year	\$ 289,669	\$ -	\$ 121,720	\$ -	\$ 8,485

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue Funds					Capital Project Funds	
Parks and Recreation	Swimming Pool Facility	Library	Police Seizure	Cemetery	Equipment Building	Municipal Street Appropriations
\$ 3,145	\$ 21,672	\$ -	\$ -	\$ 7,818	\$ -	\$ -
-	-	3,866	-	-	-	-
-	-	-	-	-	-	-
4,539	-	5,495	-	-	-	-
-	-	-	-	123	-	-
<u>7,684</u>	<u>21,672</u>	<u>9,361</u>	<u>-</u>	<u>7,941</u>	<u>-</u>	<u>-</u>
-	-	-	15,692	-	-	-
-	-	-	-	-	-	-
19,308	61,087	93,150	-	-	-	-
-	-	-	-	12,757	-	-
-	-	-	-	-	189,142	-
-	-	-	-	-	-	-
<u>19,308</u>	<u>61,087</u>	<u>93,150</u>	<u>15,692</u>	<u>12,757</u>	<u>189,142</u>	<u>-</u>
<u>(11,624)</u>	<u>(39,415)</u>	<u>(83,789)</u>	<u>(15,692)</u>	<u>(4,816)</u>	<u>(189,142)</u>	<u>-</u>
-	40,000	40,000	-	-	39,142	-
-	-	-	-	-	-	(63,699)
<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>39,142</u>	<u>(63,699)</u>
<u>(11,624)</u>	<u>585</u>	<u>(43,789)</u>	<u>(15,692)</u>	<u>(4,816)</u>	<u>(150,000)</u>	<u>(63,699)</u>
<u>16,457</u>	<u>10,764</u>	<u>57,959</u>	<u>19,677</u>	<u>228,222</u>	<u>150,000</u>	<u>63,699</u>
<u>\$ 4,833</u>	<u>\$ 11,349</u>	<u>\$ 14,170</u>	<u>\$ 3,985</u>	<u>\$ 223,406</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO
Village of Hatch**

Statement A-2
Page 2 of 2

**Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017**

	<u>Capital Project Funds</u>			<u>Total Other Governmental Funds</u>
	<u>Airport Action Plan</u>	<u>Rapid Response Fire Truck</u>	<u>Meters Project</u>	
Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ 123,585
State operating grants	-	-	-	84,576
State capital grants	35,732	-	53,955	113,216
Miscellaneous income	-	-	-	11,780
Interest income	-	36	-	159
Total revenue	<u>35,732</u>	<u>36</u>	<u>53,955</u>	<u>333,316</u>
Expenditures				
Current:				
Public safety	-	-	-	93,234
Public works	37,038	-	1,815	38,853
Culture and recreation	-	-	-	173,545
Health and welfare	-	-	-	12,757
Capital outlay	-	-	39,891	229,033
Debt service:				
Principal	-	-	-	17,164
Interest	-	-	-	1,089
Total expenditures	<u>37,038</u>	<u>-</u>	<u>41,706</u>	<u>565,675</u>
Excess (deficiency) of revenues over expenditures	<u>(1,306)</u>	<u>36</u>	<u>12,249</u>	<u>(232,359)</u>
Other financing sources (uses)				
Transfers in	-	-	-	119,142
Transfers out	(247,826)	-	(14,564)	(359,589)
Total other financing sources (uses)	<u>(247,826)</u>	<u>-</u>	<u>(14,564)</u>	<u>(240,447)</u>
Net change in fund balance	<u>(249,132)</u>	<u>36</u>	<u>(2,315)</u>	<u>(472,806)</u>
Fund balance - beginning of year	<u>249,132</u>	<u>23,840</u>	<u>-</u>	<u>1,171,984</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 23,876</u>	<u>\$ (2,315)</u>	<u>\$ 699,178</u>

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Hatch
Schedule of Deposits
June 30, 2017

Schedule III

	<u>1st New Mexico Bank</u>	<u>Bank of the Southwest</u>	<u>Wells Fargo</u>	<u>Totals</u>
Bank deposits checking	\$ 232,937	\$ 2,182,293	\$ 376,542	\$ 2,791,772
Bank deposits savings	-	-	4,564,775	4,564,775
Payroll	109,414	-	-	109,414
	<u>342,351</u>	<u>1,663,733</u>	<u>5,024,494</u>	<u>7,465,961</u>
Total Deposits	<u>\$ 342,351</u>	<u>\$ 1,663,733</u>	<u>\$ 5,024,494</u>	<u>7,465,961</u>
			Net Reconciling Items	<u>29,450</u>
			Total cash & cash equivalents	<u>\$ 7,495,411</u>
			Cash and cash equivalents Exhibit A-1	\$ 6,508,109
			Restricted Cash and cash equivalents Exhibit A-1	543,791
			Cash & Cash Equivalents Fiduciary Funds Exhibit E-1	<u>443,511</u>
			Total cash & cash equivalents	<u>\$ 7,495,411</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Hatch
Schedule of Collateral Pledged by Depository
June 30, 2017

Schedule IV

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	FMV Value at June 30, 2017
1st New Mexico Bank	PENA	9/1/2023	PENA 706593NA0	\$ 150,049
1st New Mexico Bank	FHLB	3/10/2023	FHLB 313382AX1	1,003,744
1st New Mexico Bank	GALV	8/1/2021	SOUT 843789EW4	185,715
1st New Mexico Bank	ALAM	8/1/2024	ALAM 011464GZ1	505,620
Wells Fargo	FNMA	1/1/2042	3138E5C55	1,387,340
Wells Fargo	FNMA	8/25/2042	3136AES24	136,519
Wells Fargo	FNMA	8/11/2041	3128MJWB2	3,033,186
Bank of the Southwest	Letter of Credit	12/30/2017	NA	1,250,000
			Total	\$ 7,652,173

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Hatch
Fiduciary Funds
Statement of Changes in Assets & Liabilities
For the Year Ended June 30, 2017

Schedule V

	Revolving Loan Fund			
	Balance June 30, 2016	Receipts	Disbursements	Balance June 30, 2017
Assets				
Cash and Cash Equivalents	\$ 425,847	\$ 17,664	\$ -	\$ 443,511
Notes Receivable	54,675	-	14,114	40,561
Total Assets	\$ 481,886	\$ 17,664	\$ 14,114	\$ 484,072
Liabilities				
Held in Fiduciary Fund Account	\$ 481,886	\$ 17,664	\$ 14,114	\$ 484,072
Total Liabilities	\$ 481,886	\$ 17,664	\$ 14,114	\$ 484,072

See Independent Auditors' Report

COMPLIANCE SECTION



Auditors~Consultants~CPA

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*

INDEPENDENT AUDITORS' REPORT

Honorable Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

To the Honorable Mayor and Board of Trustees
Village of Hatch
Hatch, 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 of the general fund of the Village of Hatch, New Mexico (the Village), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. FS 2014-001 and FS 2014-003.

Compliance and Other Matters

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

Standards and which are described in the accompanying schedule of findings and responses as items FS 2014-002.

The Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

November 20, 2017

STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2017

SUMMARY OF AUDIT RESULTS:

Financials Statements:

- | | |
|--|-------------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified? | Yes |
| c. Noncompliance material to the financial statements? | Yes |

PRIOR YEAR AUDIT FINDINGS:

FS 2008-002 Legal Compliance with Budget and Budgeted Cash in Excess of Available Balances – Material Weakness – Resolved

FS 2014-001 — COSO Framework Monitoring Deficiencies – Significant Deficiency – Repeated/Modified

FS 2014-002 Picacho Mountain Investments – Significant Deficiency & Material Non-Compliance – Repeated/Modified

FS 2014-003 — Segregation of Duties – Significant Deficiency – Repeated/Modified

STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2017

AUDIT FINDINGS:

FS 2014-001 — COSO Framework Monitoring Deficiencies – Significant Deficiency

Condition: During our process of understanding the entity and its environment, we noted instances where elements of the framework of Committee of Sponsoring Organizations (COSO) were nonexistent or deficient. We noted that the risk assessment element and monitoring element were not documented or sufficiently designed. We also noted the following deficiencies:

- During our audit procedures, we noted that the Village has insufficient internal controls to properly identify and assess fraud risks.
- The Village does not have a proper structure in place for the finance department to ensure that duties, control, and monitoring functions are delegated to individuals at the appropriate level of the entity and that proper oversight is in place over these functions.
- During audit review and testing procedures performed, we noted the Village lacked proper written policies and procedures at the entity wide level.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

Effect: Without all of the five elements of the COSO framework present, the Village is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the Village.

Cause: The Village has not performed a formalized and documented risk assessment process for key controls to be in place to prevent and detect errors or fraud. The Village does not properly monitor duties and responsibilities to ensure, laws, statutes, and best practices are being followed.

Auditors' Recommendations: The Village should create a comprehensive and written internal control structure over financial reporting that is documented and implemented.

Managements Progress: The Trustees have adopted financial policies and procedures in fiscal year 2017 and we are in the process of further updating these policies to adequately implement internal controls and mitigating controls in the Village.

Management's Response: The Village has made significant improvement in this area. Small community with limited staff has its inherent weakness with respect to internal controls. However, the Village has hired additional staff to address the deficiencies in fiscal year 2017. Financial control policies and procedures have been adopted; payroll and bank reconciliation monitoring and oversight have been implemented. The Village management clearly recognizes present deficiencies, and will continue to improve the internal control structure.

Responsible Parties: Village Trustees

Timeline: The Village intends on further improving our policies and procedures in fiscal year 2018.

STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2017

FS 2014-002 Picacho Mountain Investment – Material Non-Compliance – Repeated/Modified

Condition: The Village purchased land with Permanent Funds pursuant to a resolution passed by Village Trustees. The purchase of the land was intended to be an investment

Criteria: Section 6-10-10 NMSA 1978 governs the “investment” of public funds held by a municipality. Land for resale is not an option available to a municipality for investment of public funds.

Cause: Due to the lack of knowledge within the Village and/or counsel employed by the Village, the Village initiated investments that are not in the scope that is allowed by New Mexico law.

Effect: Village Trustees were misled by inaccurate legal advice as well as statements and facts regarding the circumstances made by management.

Auditors’ Recommendation: We recommend the Village continue to pursue and adhere to strict internal controls. The most crucial component of internal control is control environment. We recommend that the Village strive to strengthen the tone at the top, which would involve ensuring that all Village Trustees, the Mayor, and Village management create an environment in which laws, regulations and policies are strictly adhered to.

Managements Progress: Management is in the process of liquidating this investment.

Management’s Response: Management understands the finding and is in the process of liquidating the investment. This process is expected to take up to ten or more years.

Responsible Party: Village Trustees

Timeline: The timeline is not reasonably determinable due to market conditions.

STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2017

FS 2014-003 — Segregation of Duties – Significant Deficiency

Condition: During our internal control process walkthroughs we noted that the Village has one person who performs the bank reconciliation, maintains the chart of accounts, oversees purchases made, reviews purchase orders, approves purchase orders, has the ability to modify the vendor listing, is a check signer, and performs manual journal entries. Further this finding was not adequately addressed in fiscal year 2017.

Criteria: According to the Auditing Standards Board Statement on Auditing Standards AUC265, a system of internal control over financial reporting does not stop at the general ledger. A well designed system of controls is needed to assure the proper preparation of the financial statements. AU-C 265 states that ineffective oversight of the Village's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. In this case the auditor viewed it as a significant deficiency.

Effect: The Village is exposed to a high risk that is prone to instances intentional and unintentional misstatement and improper use of Village resources will not be prevented and detected in a timely manner.

Cause: The Village relies on the skills of one individual to perform multiple incapable duties. Also the Village lacks written financial policies and procedures.

Auditors' Recommendations: To train or obtain another individual with the necessary skills to perform some of the accounting functions performed by the Deputy Clerk. Also, the Village should create a written set of financial Policies and Procedures that outlines specific functions that should be assigned to this individual. The policies and procedures should also be designed to maintain proper internal controls that include segregation of duties.

Managements Progress: Management has adopted policies and procedures in fiscal year 2017 and is still in the process of implementing more mitigating controls to address our small office environment that is an inherent weakness of the Village. We now have reviews of bank reconciliations by the City Clerk, and all checks are reviewed on a monthly basis.

Management's Response: The Village has hired additional personnel and implemented a cross-training plan to eliminate the situation where one employee performs most of the financial duties. Bank reconciliations and payroll are no longer the duties of one person only. There is review by another person throughout the process. Financial policies and procedures development will continue until adequate control policies are in place to significantly reduce or eliminate the potential for fraud and error. The Village has hired staff to be trained to assist in the functions of the accounting process. The Village further has created financial policies and procedures that will be further updated to address the issue.

Responsible Party: Municipal Clerk

Timeline: The Village will work modifying our policies and procedures to address mitigating controls that address our small office environment in fiscal year 2018, and develop existing staff to separate more duties from the Deputy Clerk.

STATE OF NEW MEXICO
Village of Hatch
Exit Conference
June 30, 2017

Exit Conference

An exit conference was held on November 20, 2017. In attendance were the following:

Andy Nunez
Patrick Banegas
Elizabeth J. Porras

Mayor
Municipal Clerk
Deputy Clerk

Representing Southwest Accounting Solutions:

Robert Peixotto, CPA

Auditor Prepared Financial Statements

SAS assisted the Village in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Village. The responsibility for the financial statements remains with the Village.