

**STATE OF NEW MEXICO
VILLAGE OF HATCH
ANNUAL FINANCIAL REPORT
JUNE 30, 2019**



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Village of Hatch
Table of Contents
June 30, 2019

INTRODUCTORY SECTION:

Official Roster 6

FINANCIAL SECTION:

Independent Auditors' Report8-10

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position (Exhibit A-1) 12

Statement of Activities (Exhibit A-2) 13

Fund Financial Statements:

Balance Sheet – Governmental Funds (Exhibit B-1) 14

Reconciliation of the Balance Sheet – Governmental Funds to
the Statement of Net Position (Exhibit B-1) 15

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds (Exhibit B-2) 16

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
(Exhibit B-2)..... 17

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
General Fund (Exhibit C-1)..... 18

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
General Fund (Exhibit C-1)..... 19

Proprietary Funds - Statement of Net Position (Exhibit D-1) 20

Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net
Position (Exhibit D-2)..... 21

Proprietary Funds - Statement of Cash Flows (Exhibit D-3)..... 22

STATE OF NEW MEXICO
Village of Hatch
Table of Contents
June 30, 2019

Fiduciary Funds:

Statement of Fiduciary Assets and Liabilities – Fiduciary Fund (Exhibit E-1)..... 24

Notes to the Financial Statements25-55

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of the Village’s Proportionate Share of the Net Pension Liability –
of PERA – Municipal Police (Schedule I)..... 58

Schedule of the Village’s Proportionate Share of the Net Pension Liability –
of PERA – Municipal General (Schedule I)..... 59

Schedule of Contributions PERA Fund Division – Municipal Police (Schedule II) 60

Schedule of Contributions PERA Fund Division – Municipal General (Schedule II) 61

Schedule of the Village’s Proportionate Share of the Net OPEB Liability –
of RHCA – (Schedule III) 62

Schedule of Contributions RHCA – (Schedule IV) 63

Notes to Required Supplementary Information 64

SUPPLEMENTARY INFORMATION:

Non-major Fund Descriptions 67

Combining Balance Sheets – Non-major Governmental Funds (Statement A-1)68-69

Combining Statements of Revenues, Expenditures and Changes
in Fund Balances – Non-major Governmental Funds (Statement A-2)70-71

SUPPORTING SCHEDULES:

Schedule of Deposits (Schedule V) 74

Schedule of Collateral Pledged by Depository (Schedule VI) 75

Statement of Changes in Fiduciary Assets and Liabilities (Schedule VII) 76

COMPLIANCE SECTION:

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.....78-79

Schedule of Findings and Responses80-81

Exit Conference 82

**STATE OF NEW MEXICO
Village of Hatch
Official Roster
June 30, 2019**

VILLAGE COUNCIL

Andy Nunez Mayor
Casey Crist Trustee
Robert Martinez Trustee
James Whitlock Trustee
Dennis Torres Trustee

VILLAGE OFFICIALS

Elizabeth Porras Municipal Clerk
Bertha Torres Deputy Clerk

FINANCIAL SECTION



Auditors~Consultants~CPA

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, ESQ
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 the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Hatch New Mexico (the Village) as of and for the year ended June 30, 2019, 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 and with standards applicable to financial audits contained in Governmental 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 the 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 and major special revenue fund of the Village, as of June 30, 2019, 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, Schedule II, Schedule III, Schedule IV and the Notes to Required Supplementary Information on pages 58-64 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 combining and individual non-major fund financial statements (Statement A-1 and Statement A-2) and Supporting Schedules V, VI and VII required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and Supporting Schedules V, VI and VII required by Section 2.2.2 NMAC are 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 combining and individual non-major fund financial statements and Supporting Schedules V, VI and VII 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 1, 2019 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 1, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Village of Hatch
Statement of Net Position
June 30, 2019

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,585,585	\$ 742,227	\$ 6,327,812
Restricted cash	150,608	314,783	465,391
Taxes receivable	181,854	-	181,854
Other receivables	70,343	-	70,343
Customer receivables	-	101,042	101,042
Total current assets	5,988,390	1,158,052	7,146,442
Noncurrent assets			
Investment In land held for sale	1,213,277	-	1,213,277
Capital assets	20,284,383	11,428,181	31,712,564
Less: Accumulated depreciation	(8,879,886)	(7,489,888)	(16,369,774)
Total noncurrent assets	12,617,774	3,938,293	16,556,067
Deferred outflows of resources			
Deferred outflows from pension	718,691	79,855	798,546
Deferred outflows from OPEB	133,642	13,965	147,607
Total Deferred outflows of resources	852,333	93,820	946,153
Total assets and deferred outflows of resources	\$ 19,458,497	\$ 5,190,165	\$ 24,648,662
Liabilities			
Current Liabilities			
Accounts payable	\$ 66,422	\$ 44,723	\$ 111,145
Accrued salaries and benefits	61,798	15,028	76,826
Compensated absences	11,690	11,578	23,268
Notes payable	-	20,154	20,154
Total current liabilities	139,910	91,483	231,393
Noncurrent liabilities			
Customer deposits	-	38,854	38,854
Compensated absences	19,091	7,209	26,300
Notes payable	-	716,378	716,378
Net pension liability	1,955,364	217,263	2,172,627
Net OPEB liability	839,442	87,627	927,069
Total noncurrent liabilities	2,813,897	1,067,331	3,881,228
Total Liabilities	2,953,807	1,158,814	4,112,621
Deferred inflows of resources			
Deferred inflow from pension	158,920	17,658	176,578
Deferred inflow from OPEB	216,875	22,662	239,537
Total deferred inflows of resources	375,795	40,320	416,115
Net Position			
Net investment in capital assets	11,404,497	3,201,761	14,606,258
Restricted for:			
Special revenue	812,004	-	812,004
Capital projects	303,752	-	303,752
Debt service	-	275,929	275,929
Unrestricted	3,608,642	513,341	4,121,983
Total net position	16,128,895	3,991,031	20,119,926
Total liabilities, deferred inflows of resources, and net position	\$ 19,458,497	\$ 5,190,165	\$ 24,648,662

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, 2019

Exhibit A-2

Functions and Programs	Program Revenues			Changes in Net Position			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 1,282,004	\$ 144,899	\$ 211,194		\$ (925,911)	\$ -	\$ (925,911)
Public safety	1,341,575	62,230	79,107	18,288	(1,181,950)	-	(1,181,950)
Public works	149,539			664,776	515,237	-	515,237
Culture and recreation	274,572	15,940	7,510	-	(251,122)	-	(251,122)
Health and welfare	5,888	15,541		-	9,653	-	9,653
Interest on long-term debt	389	-		-	(389)	-	(389)
Total Governmental Activities	3,053,967	238,610	297,811	683,064	(1,834,482)	-	(1,834,482)
Business-Type Activities							
Joint utility	782,992	545,533	-	59,239	-	(178,220)	(178,220)
Solid waste	261,757	323,590	-	-	-	61,833	61,833
Total Business-Type Activities	1,044,749	869,123	-	59,239	-	(116,387)	(116,387)
Total primary government	\$ 4,098,716	\$ 1,107,733	\$ 297,811	\$ 742,303	(1,834,482)	(116,387)	(1,950,869)
General Revenues:							
Taxes:							
Property taxes				105,777			105,777
Gross receipt taxes				752,916	76,787		829,703
Franchise taxes				45,223	-		45,223
Gas tax				1,856			1,856
Interest income				7,036	258		7,294
Miscellaneous income				239,239			239,239
Transfers				-	-		-
Subtotal, General Revenues				1,152,047	77,045		1,229,092
Change in Net Position				(682,435)	(39,342)		(721,777)
Net Position - beginning				16,811,330	4,030,373		20,841,703
Net position - ending				\$ 16,128,895	\$ 3,991,031		\$ 20,119,926

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Balance Sheet -Governmental Funds
June 30, 2019

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Airport Action Plan Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 4,598,872	104,028	\$ -	\$ 882,685	\$ 5,585,585
Restricted cash	136,331	14,277	-	-	150,608
Property taxes receivable	13,297	-	-	-	13,297
Gross receipts receivable	157,758	-	-	-	157,758
Other taxes receivable	10,799	-	-	-	10,799
Other receivables	70,343	-	-	-	70,343
Due from other funds	47,159	-	-	-	47,159
Investment in land held for sale	1,213,277	-	-	-	1,213,277
Total assets	<u>\$ 6,247,836</u>	<u>\$ 118,305</u>	<u>\$ -</u>	<u>\$ 882,685</u>	<u>\$ 7,248,826</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 44,857	19,746	\$ -	\$ 1,819	\$ 66,422
Accrued salaries and benefits	61,798	-	-	-	61,798
Due to other funds	-	-	47,159	-	47,159
Total liabilities	<u>106,655</u>	<u>19,746</u>	<u>47,159</u>	<u>1,819</u>	<u>175,379</u>
Fund balance					
Nonspendable	1,213,277	-	-	-	1,213,277
Restricted for:					
Public Safety	-	98,559	-	418,479	517,038
Culture and recreation	-	-	-	62,815	62,815
Health and welfare	-	-	-	232,151	232,151
Capital Projects	136,331	-	-	167,421	303,752
Minimum fund balance	153,843	-	-	-	153,843
Unassigned	4,637,730	-	(47,159)	-	4,590,571
Total fund balance	<u>6,141,181</u>	<u>98,559</u>	<u>(47,159)</u>	<u>880,866</u>	<u>7,073,447</u>
Total liabilities and fund balance	<u>\$ 6,247,836</u>	<u>\$ 118,305</u>	<u>\$ -</u>	<u>\$ 882,685</u>	<u>\$ 7,248,826</u>

STATE OF NEW MEXICO
Village of Hatch
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2019

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds \$ 7,073,447

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	20,284,383
Less: Accumulated depreciation	(8,879,886)

Deferred outflows and inflows relating to pension and OPEB liabilities are not payable / collectible in the current period and therefore are not reported in the fund financial statements. Deferred outflows and inflows of resources consist of the following:

Deferred outflows from pension	718,691
Deferred outflows from OPEB	133,642
Deferred inflows from pension	(158,920)
Deferred inflows from OPEB	(216,875)

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	(30,781)
Net pension liability	(1,955,364)
Net OPEB liability	(839,442)
	(1,825,587)

Total net position of governmental activities \$ 16,128,895

STATE OF NEW MEXICO

Village of Hatch

Exhibit B-2

Page 1 of 2

**Statement of Revenues, Expenses, and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Fire Special Revenue Fund</u>	<u>Airport Action Plan Capital Projects Fund</u>	<u>Total Other Governmental Funds</u>	<u>Total</u>
Revenues					
Franchise taxes	\$ 45,223	\$ -	\$ -	\$ -	\$ 45,223
Property taxes	105,777	-	-	-	105,777
Gross receipt taxes	752,916	-	-	-	752,916
Gas tax	1,856	-	-	-	1,856
Charges for services	144,899	-	-	93,711	238,610
State operating grants	211,194	54,307	-	32,310	297,811
Federal capital grants	-	-	519,936	-	519,936
State capital grants	-	18,288	23,335	121,505	163,128
Miscellaneous income	212,350	-	-	26,889	239,239
Interest income	6,704	-	-	332	7,036
Total Revenues	<u>1,480,919</u>	<u>72,595</u>	<u>543,271</u>	<u>274,747</u>	<u>2,371,532</u>
Expenditures					
Current:					
General government	898,569	-	-	-	898,569
Public safety	864,056	63,231	-	13,036	940,323
Public works	55,563	-	-	49,250	104,813
Culture and recreation	27,933	-	-	164,517	192,450
Health and welfare	-	-	-	4,127	4,127
Capital outlay	-	-	597,991	57,640	655,631
Debt service:					
Principal	-	17,899	-	-	17,899
Interest	-	389	-	-	389
Total expenditures	<u>1,846,121</u>	<u>81,519</u>	<u>597,991</u>	<u>288,570</u>	<u>2,814,201</u>
Excess (deficiency) of revenues over expenditures	<u>(365,202)</u>	<u>(8,924)</u>	<u>(54,720)</u>	<u>(13,823)</u>	<u>(442,669)</u>
Other financing sources (uses)					
Transfers in	-	-	-	150,500	150,500
Transfers out	(150,500)	-	-	-	(150,500)
Total other financing sources (uses)	<u>(150,500)</u>	<u>-</u>	<u>-</u>	<u>150,500</u>	<u>-</u>
Net change in fund balance	<u>(515,702)</u>	<u>(8,924)</u>	<u>(54,720)</u>	<u>136,677</u>	<u>(442,669)</u>
Fund balance - beginning of the year	<u>6,656,883</u>	<u>107,483</u>	<u>7,561</u>	<u>744,189</u>	<u>7,516,116</u>
Fund balance - end of year	<u>\$ 6,141,181</u>	<u>\$ 98,559</u>	<u>\$ (47,159)</u>	<u>\$ 880,866</u>	<u>\$ 7,073,447</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Village of Hatch**

Exhibit B-2
Page 2 of 2

**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, 2019**

Net Change in Fund Balance - Governmental Funds \$ (442,669)

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	655,631
Depreciation expense	(684,701)

Governmental funds report Village pension and OPEB contributions as expenditures. However in the statement of activities, the cost of pension and OPEB benefits earned, is reported net of employee contributions.

Net pension expense	(226,531)
Net OPEB expense	(294)

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	(1,770)
Principal payments on bonds and notes payable	17,899

Change in Net Position of Governmental Activities	\$ (682,435)
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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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Basis</u>	<u>Favorable (Unfavorable)</u> <u>Final to actual</u>
Revenues				
Taxes:				
Property Taxes	\$ 90,000	\$ 90,000	\$ 105,668	\$ 15,668
Gross receipts	785,000	785,000	725,286	(59,714)
Gasoline and Motor vehicle	1,000	1,000.0	869	(131)
Other	-	-	-	-
Franchise tax	42,000	42,000	43,411	1,411
Intergovernmental income:				
State operating grants	116,000	116,000	211,194	95,194
State capital grants	-	-	-	-
Charges for services	300,708	300,708	220,281	(80,427)
License and fees	-	-	-	-
Investment income	2,500	2,500	6,704	4,204
Miscellaneous	132,250	132,250	212,350	80,100
Total revenue	<u>1,469,458</u>	<u>1,469,458</u>	<u>1,525,763</u>	<u>56,305</u>
Expenditures				
Current				
General government	1,057,762	1,057,762	759,607	298,155
Public safety	906,784	906,784	849,036	57,748
Public works	66,500	66,500	55,563	10,937
Culture and recreation	40,701	40,701	26,611	14,090
Capital outlay	53,108	53,108	-	53,108
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,124,855</u>	<u>2,124,855</u>	<u>1,690,817</u>	<u>434,038</u>
Excess (deficiency) of revenues over expenditures	<u>(655,397)</u>	<u>(655,397)</u>	<u>(165,054)</u>	<u>490,343</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	655,397	655,397	-	(1,087,707)
Transfers in	1,087,707	1,087,707	-	341,810
Transfers out	(492,310)	(492,310)	(150,500)	(745,897)
Total other financing sources (uses)	<u>595,397</u>	<u>595,397</u>	<u>(150,500)</u>	<u>(745,897)</u>
Net Change in fund balance			(315,554)	
Fund balance - beginning of year			5,125,973	
Fund balance - end of year			<u>\$ 4,810,419</u>	
Net change in fund balance (non-GAAP budgetary basis)			(315,554)	
Adjustments to revenue for decrease in receivables			(155,304)	
Adjustment to expenditures for increase in liabilities			(44,844)	
Net Change in fund balance (GAAP basis)			<u>\$ (515,702)</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Fire Fund

Exhibit C-2

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	53,000	53,000	54,307	1,307
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	53,000	53,000	54,307	1,307
Expenditures				
Current				
General government	-	-	-	-
Public safety	53,000	53,000	50,170	2,830
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	53,000	53,000	50,170	2,830
Excess (deficiency) of revenues over expenditures	-	-	4,137	(1,523)
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	-	-	4,137	4,137
Fund balance - beginning of year			114,167	114,167.00
Fund balance - end of year			\$ 118,304	\$ 118,304
Net change in fund balance (non-GAAP budgetary basis)			4,137	
Adjustments to revenue for fire intercept revenues			18,288	
Adjustment to expenditures for change in liabilities and fire intercept payment			(31,349)	
Net Change in fund balance (GAAP basis)			\$ (8,924)	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Village of Hatch
Statement of Net Position – Proprietary Funds
June 30, 2019

Exhibit D-1

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 587,661	\$ 154,566	\$ 742,227
Restricted cash	314,783	-	314,783
Accounts receivable	63,737	37,305	101,042
Total current assets	<u>966,181</u>	<u>191,871</u>	<u>1,158,052</u>
Noncurrent assets			
Capital assets	11,428,181	-	11,428,181
Less: accumulated depreciation	(7,489,888)	-	(7,489,888)
Total noncurrent assets	<u>3,938,293</u>	<u>-</u>	<u>3,938,293</u>
Deferred outflows of resources			
Deferred outflows from pension	79,855	-	79,855
Deferred outflows from OPEB	13,965	-	13,965
Total deferred of resources	<u>93,820</u>	<u>-</u>	<u>93,820</u>
Total assets, and deferred outflows of resources	<u>\$ 4,998,294</u>	<u>\$ 191,871</u>	<u>\$ 5,190,165</u>
Liabilities deferred inflows, and net position			
Liabilities			
Accounts payable	\$ 24,206	\$ 20,517	\$ 44,723
Accrued salaries and benefits	15,028	-	15,028
Compensated absences	11,578	-	11,578
Notes payable	20,154	-	20,154
Total current liabilities	<u>70,966</u>	<u>20,517</u>	<u>91,483</u>
Noncurrent liabilities			
Customer deposits	38,854	-	38,854
Compensated absences	7,209	-	7,209
Notes payable	716,378	-	716,378
Net pension liability	217,263	-	217,263
Net OPEB liability	87,627	-	87,627
Total noncurrent liabilities	<u>1,067,331</u>	<u>-</u>	<u>1,067,331</u>
Total Liabilities	<u>1,138,297</u>	<u>20,517</u>	<u>1,158,814</u>
Deferred inflows of resources			
Deferred inflows from pension	17,658	-	17,658
Deferred inflows from OPEB	22,662	-	22,662
Total deferred inflows of resources	<u>40,320</u>	<u>-</u>	<u>40,320</u>
Net position			
Net investment in capital asset	3,201,761	-	3,201,761
Restricted for:			
Debt service	275,929	-	275,929
Unrestricted	341,987	171,354	513,341
Total net position	<u>3,819,677</u>	<u>171,354</u>	<u>3,991,031</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,998,294</u>	<u>\$ 191,871</u>	<u>\$ 5,190,165</u>

See Independent Auditors' Report and Notes to Financial Statements

Village of Hatch

Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds

For the Year Ended June 30, 2019

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 545,533	\$ 323,590	\$ 869,123
Total operating revenues	<u>545,533</u>	<u>323,590</u>	<u>869,123</u>
Operating expenses:			
Depreciation and amortization	226,142	-	226,142
Personnel services	341,357	-	341,357
Contractual services	2,418	261,757	264,175
Supplies	5,343	-	5,343
Maintenance and materials	25,280	-	25,280
Utilities	95,872	-	95,872
Miscellaneous	65,631	-	65,631
Total operating expense	<u>762,043</u>	<u>261,757</u>	<u>1,023,800</u>
Operating income (loss)	<u>(216,510)</u>	<u>61,833</u>	<u>(154,677)</u>
Non-operating revenues (expense):			
Gross receipts taxes	76,787	-	76,787
Interest income	258	-	258
Interest expense	(20,949)	-	(20,949)
Total non-operating revenues (expense)	<u>56,096</u>	<u>-</u>	<u>56,096</u>
Income (loss) before contributions and transfers	<u>(160,414)</u>	<u>61,833</u>	<u>(98,581)</u>
Capital grants	59,239	-	59,239
Total contributions and transfers	<u>59,239</u>	<u>-</u>	<u>59,239</u>
Change in Net Position	<u>(101,175)</u>	<u>61,833</u>	<u>(39,342)</u>
Net Position - beginning of the year	<u>3,920,852</u>	<u>109,521</u>	<u>4,030,373</u>
Net Position - end of the year	<u>\$ 3,819,677</u>	<u>\$ 171,354</u>	<u>\$ 3,991,031</u>

STATE OF NEW MEXICO
Village of Hatch
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2019

Exhibit D-3

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 549,057	\$ 323,901	\$ 872,958
Cash payments to employees for services	(303,965)	-	(303,965)
Cash payments to suppliers for goods and services	(196,902)	(264,562)	(461,464)
Net cash used by operating activities	<u>48,190</u>	<u>59,339</u>	<u>107,529</u>
Cash flow from noncapital financing activities:			
Taxes received	76,787	-	76,787
Governmental grants	59,239	-	59,239
Transfers	(1,967)	308	(1,659)
Net cash provided (used) by noncapital financing activities	<u>134,059</u>	<u>308</u>	<u>134,367</u>
Cash flows from capital and related financing activities:			
Interest paid	(20,949)	-	(20,949)
Principal payments	(19,147)	-	(19,147)
Acquisition of capital assets	(113,995)	-	(113,995)
Net cash used by capital and related financing activities	<u>(154,091)</u>	<u>-</u>	<u>(154,091)</u>
Cash flows from investing activities:			
Interest income	258	-	258
Net cash provided by investing activities	<u>258</u>	<u>-</u>	<u>258</u>
Net increase (decrease) in cash and cash equivalents	28,416	59,647	88,063
Cash & cash equivalents - beginning of year	<u>874,028</u>	<u>94,919</u>	<u>968,947</u>
Cash & cash equivalents - end of year	<u>\$ 902,444</u>	<u>\$ 154,566</u>	<u>\$ 1,057,010</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (216,510)	\$ 61,833	\$ (154,677)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Pension & OPEB expense	32,851	-	32,851
Depreciation	226,142	-	226,142
Changes in assets & liabilities:			
Receivables	3,224	311	3,535
Accounts payable	(2,358)	(2,805)	(5,163)
Accrued salaries and benefits	3,755	-	3,755
Compensated absences	786	-	786
Customer deposits	300	-	300
Net cash provided (used) by operating activities	<u>\$ 48,190</u>	<u>\$ 59,339</u>	<u>\$ 107,529</u>

See Independent Auditors' Report and Notes to Financial Statements

FIDUCIARY FUNDS

STATE OF NEW MEXICO
Village of Hatch
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

Exhibit E-1

	Revolving Loan Fund
Assets	
Cash and cash equivalents	\$ 472,951
Notes receivable	12,896
Total Assets	\$ 485,847
Liabilities	
Deposits held in trust for others	\$ 472,951
Notes receivable	12,896
Total Liabilities	\$ 485,847

See Independent Auditors' Report and Notes to Financial Statements

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STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2019

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, 2019

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, 2019

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.

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)

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.

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, 2019

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, 2019

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, 2019, 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:

<u>Asset</u>	<u>Years</u>
Buildings	32-39
Other Improvements	10-40
Infrastructure / Utility System	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, 2019, 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, 2019.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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 and GASB 75 and the related net OPEB liability.

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 and the implementation of GASB 75 and the related net OPEB liability.

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

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.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 – 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.

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.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Minimum Fund Balance Policy: The Village's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Village holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The Village has presented restricted fund balance on the governmental funds balance sheet in the amount of \$153,843 to meet minimum fund balance requirements for the General Fund.

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, 2019

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, 2019 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, 2019

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, 2019, \$6,781,772 of the Village's bank balance of \$7,281,772 was exposed to custodial credit risk, \$5,871,051 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 \$910,721 was uninsured and uncollateralized at June 30, 2019.

	<u>Bank of the Southwest</u>	<u>Wells Fargo</u>	<u>Total</u>
Deposits	\$ 2,410,721	\$ 4,871,051	\$ 7,281,772
Less: FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>2,160,721</u>	<u>4,621,051</u>	<u>6,781,772</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>1,250,000</u>	<u>4,621,051</u>	<u>5,871,051</u>
Uninsured and uncollateralized	<u>910,721</u>	<u>-</u>	<u>910,721</u>
Collateral requirements (50% of uninsured funds)	1,080,361	2,310,526	3,390,886
Pledged Collateral	<u>1,250,000</u>	<u>4,701,738</u>	<u>5,951,738</u>
Over (under) collateralized	<u>\$ 169,640</u>	<u>\$ 2,391,213</u>	<u>\$ 2,560,852</u>

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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	\$	5,585,585
Cash and cash equivalents - Business-type Activities Exhibit A-1		742,227
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1		150,608
Restricted cash and cash equivalents - Business-type Activities Exhibit A-1		314,783
Cash and cash equivalents - Fiduciary Funds Exhibit E-1		472,951
Total cash and cash equivalents	<u>\$</u>	<u>7,266,154</u>
Add: outstanding checks		38,437
Less: outstanding deposits		(21,903)
Less: Cash on hand		(916)
Bank balance of deposits	<u>\$</u>	<u>7,281,772</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, 2019.

The Village's investments in Dona Ana County, NM at June 30, 2019 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, 2019 the Village did liquidated part of this investment. As of June 30, 2019 the Village had 11 developed lots listed for sale with various asking prices per lot. The total asking price of the remaining 11 lots is approximately \$641,900. The historical difference between the asking price and the net proceeds received after discounts and closing costs is approximately -13%. The 125 acres of land is currently listed for sale at \$1,965,000. Due the decrease in the net proceeds realized in the liquidation of this investment going from approximately 91% of asking price in fiscal year 2015 to approximately 80% in fiscal year 2019 the Village wrote down the carrying value of this investment by \$100,000 in the fiscal year.

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, 2019

NOTE 5. Accounts and Taxes Receivable

Receivables as of June 30, 2019 are as follows:

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Property taxes	\$ 13,297	\$ -	\$ -
Gross receipts taxes	157,758	-	-
Franchise taxes	9,812	-	-
Gasoline taxes	987	-	-
Other receivables:			
Customer receivables	-	101,042	12,896
Receivable from sale of land	70,343	-	-
Total	\$ 252,197	\$ 101,042	\$ 12,896

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:

Promisor	Original Loan Amount	Interest Rate	Loan Balance 6/30/2019
All Aboard Preschool	\$ 100,000	4% per annum	\$ 1,975
Hatch Auto Electric	50,000	4% per annum	10,921
Net Receivables	\$ 150,000		\$ 12,896

These notes receivable are considered to be 100% collectible.

NOTE 6. Interfund Receivables, Payables, and Transfers

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

Transfers From	Transfers To	Amount
General Fund	Meter Project	\$ 4,000
General Fund	Swimming Pool Facility	46,500
General Fund	Library	100,000
Total		\$ 150,500

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 6. Interfund Receivables, Payables, and Transfers (continued)

The Village records temporary interfund receivables and payables to enable the funds to operate until grant monies are available.

The composition of interfund balances during the year ended June 30, 2019 is as follows:

Due To	Due From	Amount
General Fund	Airport Action Plan	47,159
Total		47,159

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 is as follows (land and construction in progress is not subject to depreciation):

	Balance June 30, 2018	Additions	Balance June 30, 2019
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 2,699,107	\$ -	\$ 2,699,107
Construction in process (CIP)	429,958	20,750	450,708
Total capital assets, not depreciated	\$ 3,129,065	\$ 20,750	\$ 3,149,815
Capital assets depreciated:			
Buildings	\$ 5,511,885	\$ -	\$ 5,511,885
Other improvements	4,301,625	597,991	4,899,616
Infrastructure	5,284,811	-	5,284,811
Machinery and equipment	1,401,366	36,890	1,438,256
Total capital assets, depreciated	16,499,687	634,881	17,134,568
Total capital assets	\$ 19,628,752		\$ 20,284,383
Less accumulated depreciation:			
Buildings	\$ 2,553,759	\$ 138,159	\$ 2,691,918
Other improvements	2,099,771	167,294	2,267,065
Infrastructure	2,404,055	293,969	2,698,024
Machinery and equipment	1,137,600	85,279	1,222,879
Total accumulated depreciation	8,195,185	684,701	8,879,886
Capital Assets, Net	\$ 11,433,567		\$ 11,404,497

There were no deletions of capital assets in fiscal year 2018. Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General Government	\$ 287,462
Public Safety	300,820
Public Works	33,531
Culture and Recreation	61,567
Health and welfare	1,321
Total depreciation expense, governmental activities	\$ 684,701

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 7. Capital Assets (continued)

Business-type activities:	Balance June 30, 2018	Additions	Balance June 30, 2019
Capital assets not depreciated:			
Land	\$ 62,099	\$ -	\$ 62,099
Construction in process (CIP)	-	12,303	12,303
Total capital assets not depreciated	<u>62,099</u>	<u>12,303</u>	<u>74,402</u>
Capital asset depreciated:			
Buildings	54,666	-	54,666
Utility system	10,026,945	43,697	10,070,642
Machinery and equipment	1,170,476	57,995	1,228,471
Total capital assets, depreciated	<u>11,252,087</u>	<u>101,692</u>	<u>11,353,779</u>
Total capital assets	<u>11,314,186</u>		<u>11,428,181</u>
Less accumulated depreciation:			
Buildings	54,666	-	54,666
Utility system	6,042,349	220,373	6,262,722
Machinery and equipment	1,166,731	5,769	1,172,500
Total accumulated depreciation	<u>7,263,746</u>	<u>226,142</u>	<u>7,489,888</u>
Capital Assets, Net	<u>\$ 4,050,440</u>		<u>\$ 3,938,293</u>

NOTE 8. Long-term Debt

Governmental Activities

During the year ended June 30, 2019, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position in governmental activities:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
NMFA Loans	\$ 17,501	\$ -	\$ 17,501	\$ -	\$ -
Compensated Absences	29,011	12,311	10,541	30,781	11,690
Total long term debt	<u>\$ 46,512</u>	<u>\$ 12,311</u>	<u>\$ 28,042</u>	<u>\$ 30,781</u>	<u>\$ 11,690</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. At June 30, 2019, the loan is paid in full.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt (continued)

Business-Type Activities

During the year ended June 30, 2019, 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,</u> <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30,</u> <u>2019</u>	<u>Due Within</u> <u>One Year</u>
USDA Revenue Bonds	\$ 678,400	\$ -	\$ 14,000	\$ 664,400	\$ 15,000
NMED Clean Water Loan	32,500	-	2,500	30,000	2,500
NMFA Loans	44,779	-	2,647	42,132	2,654
Total Loans Payable	<u>755,679</u>	<u>-</u>	<u>19,147</u>	<u>736,532</u>	<u>20,154</u>
Compensated Absences	18,001	12,291	11,505	18,787	11,578
Total Long Term Debt	<u>\$ 773,680</u>	<u>\$ 12,291</u>	<u>\$ 30,652</u>	<u>\$ 755,319</u>	<u>\$ 31,732</u>

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, 2019 in the amount of \$99,448. 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 loan agreement for \$40,640 for the purposes of constructing water transmission lines for the Joint Utility. This loan agreement is secured by the operating revenues of the Joint Utility.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 8. Long-term Debt (continued)

Business-Type Activities

The debt service requirements on long-term debt for business type activities at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 20,154	\$ 20,257	\$ 40,411
2021	20,160	19,755	39,915
2022	20,166	19,254	39,420
2023	22,174	18,752	40,926
2024	23,180	18,153	41,333
2025-2029	121,003	81,554	202,557
2030-2034	129,106	64,174	193,280
2035-2039	136,589	43,265	179,854
2040-2044	92,000	26,674	118,674
2045-2049	103,000	14,405	117,405
2050-2051	49,000	1,911	50,911
Total	<u>\$ 736,532</u>	<u>\$ 328,154</u>	<u>\$ 1,064,686</u>

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, 2019, 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.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2018 available at <http://saonm.org/>.

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 2018 annual audit report at: <http://saonm.org/>.

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 \$126,238 for the year ended June 30, 2019. The Village did not pick up any portion of the employees contributions.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

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

PERA Contribution Rates and Pension Factors as of July 1, 2018						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		Pension Maximum as a Percentage of the
	Annual Salary less than	Annual Salary greater than		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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 PLANS 1 - 5						
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 PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	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						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	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, 2019

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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The 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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2019, the Village reported a liability of \$1,052,284 for its proportionate share of the net pension liability. At June 30, 2019, the Village's proportion of the net pension liability was .0660 percent, which was slightly changed from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Village recognized PERA Fund Division Municipal General Pension expense of \$102,682. At June 30, 2019, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,413	\$ 27,628
Changes of assumptions	95,404	6,050
Net difference between projected and actual earnings on pension plan investments	78,043	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	91,221	-
Village's contributions subsequent to the measurement date	50,495	-
Total	\$ 345,576	\$ 33,678

Village contributions of \$50,495 are reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2020	\$ 152,395
2021	71,618
2022	33,245
2023	4,145
Thereafter	-
Total	\$ 261,403

For PERA Fund Division Municipal Police, at June 30, 2019, the Village reported a liability of \$1,120,343 for its proportionate share of the net pension liability. At June 30, 2019, the Village's proportion was .1642 percent, which was slightly changed from its proportion measured as of June 30, 2018.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

For the year ended June 30, 2019, the Village recognized PERA Fund Division Municipal Police pension expense of \$128,487. At June 30, 2019, 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	\$ 54,846	\$ 111,055
Changes of assumptions	127,833	6,849
Net difference between projected and actual earnings on pension plan investments	77,096	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	117,452	24,996
Village's contributions subsequent to the measurement date	75,743	-
Total	\$ 452,970	\$ 142,900

Village contributions of \$75,743 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2020	\$ 126,567
2021	43,276
2022	60,111
2023	4,372
Thereafter	-
Total	\$ 234,326

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Actuarial Assumptions: The total pension liability at June 30, 2019 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed Market Value
Retirement	Changes to current assumed rates of
Remaining Amortization Period	30 Years
Administrative Expenses	.5% of Payroll
Actuarial assumptions:	Fair value
Investment rate of return	7.25% Static
Payroll growth	3.00% Static
Projected salary increases	3.25%-13.5%
Real investment Return	4.75% above inflation.
Mortality assumption	RPH-2014 Blue Collar Mortality

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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.5%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented FI	15.0%	5.47%
Real Assets	20.0%	6.48%
Total	<u>100%</u>	

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Discount rate

The discount rate used to measure the total pension liability was 7.25%. 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 7.25% 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Village's proportionate share of the net pension liability	\$ 1,621,499	\$ 1,052,284	\$ 581,737

<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Village's proportionate share of the net pension liability	\$ 1,722,628	\$ 1,120,343	\$ 629,338

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 Restated PERA financial report. The report is available at <http://saonm.org/>.

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

Plan Description:

Employees of the Village are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Benefits Provided

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Contributions

Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the Village were \$19,155 for the year ending June 30, 2019.

At June 30, 2018, the City reported a liability of \$927,069 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Village's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2019, the Village's proportion was 0.02132 percent.

For the year ended June 30, 2019, the Village recognized OPEB expense of \$10,457. At June 30, 2019 the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 54,888
Changes in Proportion	118,894	-
Changes of assumptions	-	173,080
Net difference between projected and actual earnings on pension plan investments	-	11,569
Village's contributions subsequent to the measurement date	28,713	-
Total	\$ 147,607	\$ 239,537

Deferred outflows of resources totaling \$28,713 represent the Village's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended	Amount
2020	\$ (35,672)
2021	(35,672)
2022	(35,672)
2023	(21,811)
Thereafter	8,184
Total	\$ (120,643)

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB; 2.25% for PERA
Projected payroll increase	3.50%
Investment rate of return	7.25 net of OPEB plan expense and margin for adverse deviation including inflation
Health care cost trend	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for
Mortality assumption	RP-2000 Combined mortality table with white collar adjustment (males) and GRS Southwest Regional Teacher Mortality

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. core fixed income	20.0%	4.10%
US Equity-Large Cap	20.0%	9.10%
Non US Emerging	15.0%	12.20%
NON US Developed	12.0%	9.80%
Private Equity	10.0%	13.80%
Credit and Structured	21.5%	1.79%
Real Estate	5.0%	6.90%
Absolute Return	5.0%	6.10%
Real Assets	3.0%	9.10%
Total	100%	

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Discount Rate

The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the net OPEB liability of the Village, as well as what the Village’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<u>RHC Fund Division Municipal Government</u>	<u>1% Decrease (3.08%)</u>	<u>Current Discount Rate (4.08%)</u>	<u>1% Increase (5.08%)</u>
Village's proportionate share of the net OPEB liability	\$ 1,121,972	\$ 927,069	\$ 773,442

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

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, 2019 was as follows:

<u>Fund</u>	<u>Amount</u>
Airport Action Plan	\$ (47,159)

NOTE 13. Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 1, 2019 which is the date on which the financial statements were available to be issued.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 14. Restricted net position

The government-wide statement of net position reports \$1,115,756 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 28 and pages 67. The government-wide statement of net position reports \$275,929 of restricted amounts in business-type activities, all of which is restricted for debt service.

NOTE 15. 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>
2020	\$ 4,500
2021	-
2022	-
2023	-
2024	-
Total	<u><u>\$ 4,500</u></u>

NOTE 16. Related Party

As of June 30, 2019, the Village's management was not aware of any related party relationships.

NOTE 17. 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
Village Contributions	Undeterminable
Audit Responsibility	MVRDA

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 17. 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	\$101.14 per day per prisoner and 134.91 per juvenile prisoner per day effective July 1, 2017, 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.
Village 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 1, 2015 and extended on an annual basis.
Project Costs	The Village shall pay DAC a fee of \$15.00 for each requested trip, \$30.00 per hour plus a \$25.00 per trip charge as compensation for the officer's time and use of County equipment, and \$15.00 per day for shelter charges.
Village Contributions	Unknown
Audit Responsibility	DAC

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 17. 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.
Village Contributions	None
Audit Responsibility	DAC

School Resource Officer

Participants	Village of Hatch and Hatch Valley Public Schools
Responsible Party	Both parties will keep records
Description	The Village of Hatch agrees to provide the Schools a full-time School resource Officer
Period	Perpetual
Project Costs	The School will reimburse the Village \$45,000 per year
Village Contributions	None
Audit Responsibility	Both parties have individual audit responsibility.

STATE OF NEW MEXICO
Village of Hatch
Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 17. Joint powers agreements (continued)

State of New Mexico Motor Vehicle Department

Participants	Village of Hatch and the State of NM Motor Vehicle Division
Responsible Party	Both parties will keep records
Description	To carry out the functions of the MVD and provide necessary services to citizens of the state of New Mexico.
Period	Perpetual
Project Costs	Fees collected for MVD in accordance with MVD schedule.
Village Contributions	None
Audit Responsibility	Both parties have individual audit responsibility.

Elephant Butte Irrigation District

Participants	Village of Hatch and Elephant Butte Irrigation District
Responsible Party	Both parties will keep records
Description	Maintenance of Placitas Arroyo owned by the Village of Hatch to direct more water for farmers.
Period	Perpetual
Project Costs	Undeterminable
Village Contributions	None
Audit Responsibility	Both parties have individual audit responsibility.

NOTE 18. GASB 77 Disclosures (Tax Abatement)

Management of the Village is not aware of any tax abatement agreements that existed as of June 30, 2019.

REQUIRED SUPPLEMENTAY INFORMATION

Village of Hatch

Schedules of Required Supplementary Information

Schedule of the Village's 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	2019	2018	2017	2016	2015
Village's proportion of the net pension liability (asset)	0.1642%	0.1399%	0.1491%	0.1502%	0.0913%
Village's proportionate share of the net pension liability (asset)	\$ 1,120,343	\$ 777,236	\$ 1,100,104	\$ 722,246	\$ 297,628
Village's covered-employee payroll	\$ 405,222	\$ 346,901	\$ 312,908	\$ 301,535	\$ 312,258
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	276.48%	224.05%	351.57%	239.52%	95.31%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	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's 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	2019	2018	2017	2016	2015
Village's proportion of the net pension liability (asset)	0.0660%	0.0585%	0.0572%	0.0524%	0.0499%
Village's proportionate share of the net pension liability (asset)	\$ 1,052,284	\$ 1,052,284	\$ 913,863	\$ 534,263	\$ 389,274
Village's covered-employee payroll	\$ 528,555	\$ 529,472	\$ 476,111	\$ 490,210	\$ 369,008
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.09%	198.74%	191.94%	108.99%	105.49%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	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	2019	2018	2017	2016	2015
Contractually required contribution	\$ 75,169	\$ 64,350	\$ 58,044	\$ 55,935	\$ 57,924
Contributions in relation to the contractually required contribution	\$ 75,743	\$ 75,743	\$ 58,038	\$ 56,062	\$ 58,160
Contribution deficiency (excess)	\$ (574)	\$ (11,393)	\$ 6	\$ (127)	\$ (236)
Village's covered-employee payroll	\$ 405,222	\$ 346,901	\$ 312,908	\$ 301,535	\$ 312,258
Contributions as a percentage of covered-employee payroll	18.69%	21.83%	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	2019	2018	2017	2016	2015
Contractually required contribution	\$ 50,477	\$ 50,565	\$ 45,469	\$ 46,815	\$ 39,299
Contributions in relation to the contractually required contribution	\$ 50,495	\$ 50,495	\$ 45,469	\$ 46,815	\$ 38,963
Contribution deficiency (excess)	\$ (18)	\$ 70	\$ (0)	\$ 0	\$ 336
Village's covered-employee payroll	\$ 528,555	\$ 529,472	\$ 476,111	\$ 490,210	\$ 369,008
Contributions as a percentage of covered-employee payroll	9.55%	9.54%	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 Schedule III
Village of Hatch
Schedules of Required Supplementary Information
Schedule of the Village's Proportionate Share of the Net OPEB Liability
Retiree Health Care Last 10 Fiscal Years*

VILLAGE IN SUMMATION	<u>2019</u>	<u>2018</u>
Village's proportion of the net OPEB liability (asset)	0.0123	0.0187
Village's proportionate share of the net OPEB liability (asset)	\$ 927,069	\$ 848,782
Village's covered-employee payroll	\$ 957,103	\$ 866,909
Village's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	96.86%	97.91%

*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
Retirement Healthcare
Last 10 Fiscal Years*

Schedule IV

VILLAGE IN SUMMATION

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 19,142	\$ 17,338
Contributions in relation to the contractually required contribution	\$ 19,184	\$ 17,338

*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. Difference related to 2016 catch-up contributions.

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Hatch
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of benefit terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf.

There were no major changes to the benefit terms which impact the measurements provided in the Retiree Health Care Fund. The 2018 report can be found at:

http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/RHCA_Final_Employer_Allocation_Schedules_6.30.18.pdf

Changes of assumptions

The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2018 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions. The actuarial assumptions are contained in section 3 of the RHCA GASB 74 Actuarial Report.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Village of Hatch
Nonmajor Fund Description
June 30, 2019

SPECIAL REVENUE FUNDS

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

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

Street Improvements – To account 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 – To account for receipt and expenditure for improvement of Placitas Arroyo. This fund is authorized by the Village Council.

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.

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

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

STATE OF NEW MEXICO
Village of Hatch
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds					
	Corrections	Law Enforcement	Lodgers' Tax	Parks and Recreation	Swimming Pool Facility	Library
Assets						
Cash and cash equivalents	\$ 414,307	\$ 171	\$ 10,308	\$ 7,732	\$ 28,987	\$ 17,607
Total assets	<u>414,307</u>	<u>171</u>	<u>10,308</u>	<u>7,732</u>	<u>28,987</u>	<u>17,607</u>
Liabilities and fund balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 532	\$ -	\$ 1,287
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>532</u>	<u>-</u>	<u>1,287</u>
Fund balance						
Restricted for:						
Public Safety	414,307	171	-	-	-	-
Culture and recreation	-	-	10,308	7,200	28,987	16,320
Health and Welfare	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total fund balance	<u>414,307</u>	<u>171</u>	<u>10,308</u>	<u>7,200</u>	<u>28,987</u>	<u>16,320</u>
Total liabilities and fund balance	<u>\$ 414,307</u>	<u>\$ 171</u>	<u>\$ 10,308</u>	<u>\$ 7,732</u>	<u>\$ 28,987</u>	<u>\$ 17,607</u>

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue Funds		Capital Project Funds					Total Other Governmental Funds
Police Seizure	Cemetery	Street Improvements	Placitas Arroyo	Meter Project	Equipment Building	Rapid Response Fire Truck	
\$ 4,001	\$ 232,151	\$ 100,755	-	\$ -	\$ 42,707	\$ 23,959	\$ 882,685
4,001	232,151	100,755	-	-	42,707	23,959	882,685
\$ -	\$ -	\$ -	-	-	\$ -	\$ -	1,819
-	-	-	-	-	-	-	1,819
4,001	-	-	-	-	-	-	418,479
-	-	-	-	-	-	-	62,815
-	232,151	-	-	-	-	-	232,151
-	-	100,755	-	-	42,707	23,959	167,421
4,001	232,151	100,755	-	-	42,707	23,959	880,866
\$ 4,001	\$ 232,151	\$ 100,755	\$ -		\$ 42,707	\$ 23,959	\$ 882,685

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, 2019

Special Revenue Funds

	Corrections	Law Enforcement	Lodgers' Tax	Parks and Recreation	Swimming Pool Facility	Library
Revenues						
Charges for services	\$ 62,230	\$ -	\$ -	\$ 2,810	\$ 13,130	\$ -
State operating grants	-	24,800	-	-	-	7,510
State capital grants	-	-	-	-	-	-
Miscellaneous income	-	-	1,064	2,523	-	23,287
Interest income	-	-	-	-	-	-
Total revenue	62,230	24,800	1,064	5,333	13,130	30,797
Expenditures						
Current:						
Public safety	8,961	4,075	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	3,033	47,998	113,486
Health and welfare	-	-	-	-	-	-
Capital outlay	-	36,890	-	-	-	-
Total expenditures	8,961	40,965	-	3,033	47,998	113,486
Excess (deficiency) of revenues over expenditures	53,269	(16,165)	1,064	2,300	(34,868)	(82,689)
Other financing sources (uses)						
Transfers in	-	-	-	-	46,500	100,000
Total other financing sources (uses)	-	-	-	-	46,500	100,000
Net change in fund balance	53,269	(16,165)	1,064	2,300	11,632	17,311
Fund balance - beginning of year	361,038	16,336	9,244	4,900	17,355	(991)
Fund balance - end of year	\$ 414,307	\$ 171	\$ 10,308	\$ 7,200	\$ 28,987	\$ 16,320

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue Funds		Capital Project Funds					Rapid Response Fire Truck	Total Other Governmental Funds
Police Seizure	Cemetery	Street Improvements	Placitas Arroyo	Meter Project	Equipment Building			
\$ -	\$ 15,541	\$ -	\$ -	-	\$ -	\$ -	\$ 93,711	
-	-	-	-	-	-	-	32,310	
-	-	121,505	-	-	-	-	121,505	
15	-	-	-	-	-	-	26,889	
-	286	-	-	-	-	46	332	
15	15,827	121,505	-	-	-	46	274,747	
-	-	-	-	-	-	-	13,036	
-	-	-	49,250	-	-	-	49,250	
-	-	-	-	-	-	-	164,517	
-	4,127	-	-	-	-	-	4,127	
-	-	20,750	-	-	-	-	57,640	
-	4,127	20,750	49,250	-	-	-	288,570	
15	11,700	100,755	(49,250)	-	-	46	(13,823)	
-	-	-	-	4,000	-	-	150,500	
-	-	-	-	4,000	-	-	150,500	
15	11,700	100,755	(49,250)	4,000	-	46	136,677	
3,986	220,451	-	49,250	(4,000)	42,707	23,913	744,189	
\$ 4,001	\$ 232,151	\$ 100,755	\$ -	\$ -	\$ 42,707	\$ 23,959	\$ 880,866	

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Village of Hatch
Schedule of Deposits
June 30, 2019

Schedule V

	<u>Bank of the Southwest</u>	<u>Wells Fargo</u>	<u>Total</u>
Bank deposits checking	\$ 1,529,689	\$ 118,305	\$ 1,647,994
Bank deposits savings	881,032	4,703,169	5,584,201
Payroll	-	49,577	49,577
Total deposits	<u>\$ 2,410,721</u>	<u>\$ 4,871,051</u>	7,281,772
		Net reconciling Items	<u>(15,618)</u>
		Total cash & cash equivalents	<u>\$ 7,266,154</u>
	Cash and cash equivalents Exhibit A-1		\$ 6,327,812
	Restricted Cash and cash equivalents Exhibit A-1		465,391
	Cash & cash equivalents fiduciary funds Exhibit E-1		<u>472,951</u>
	Total cash & cash equivalents		<u>\$ 7,266,154</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
Village of Hatch
Schedule of Collateral Pledged by Depository
June 30, 2019

Schedule VI

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Par/FMV Value at June 30, 2019
Wells Fargo	FNMA	5/1/2031	31418BV6	\$ 1,296,714
Wells Fargo	FNMA	4/1/2036	3138WGXA7	99,163
Wells Fargo	FNMA	11/1/2035	3138WFYG5	235,176
Wells Fargo	Repurchase Agreement	6/1/2046	3128MJYG9	3,070,685
Bank of the Southwest	FHLB	12/5/2019	NA	1,250,000
			Total	<u>\$ 5,951,738</u>

See Independent Auditors' Report

Village of Hatch

Fiduciary Funds

**Statement of Changes in Assets & Liabilities
For the Year Ended June 30, 2019**

	Revolving Loan Fund			Balance June 30, 2019
	Balance June 30, 2018	Receipts	Disbursements	
Assets				
Cash and Cash Equivalents	\$ 460,819	\$ 12,132	\$ -	\$ 472,951
Notes Receivable	24,789	-	11,893	12,896
Total Assets	<u>\$ 485,608</u>	<u>\$ 12,132</u>	<u>\$ 11,893</u>	<u>\$ 485,847</u>
Liabilities				
Held in Fiduciary Fund Account	\$ 485,608	\$ 12,132	\$ 11,893	\$ 485,847
Total Liabilities	<u>\$ 485,608</u>	<u>\$ 12,132</u>	<u>\$ 11,893</u>	<u>\$ 485,847</u>

See Independent Auditors' Report

COMPLIANCE SECTION



Auditors~Consultants~CPA

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 AUDITOR'S REPORT

Brian S. Colón, ESQ
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 and major special revenue funds of the Village of Hatch, New Mexico (the Village) as of and for the year ended June 30, 2019, 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 1, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 responses. 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.

Sincerely,

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC

Albuquerque, New Mexico

November 1, 2019

**STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2019**

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? | No |
| c. Noncompliance material to the financial statements? | No |

PRIOR YEAR AUDIT FINDINGS:

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

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

FS 2014-003 — Segregation of Duties – Significant Deficiency – Resolved

STATE OF NEW MEXICO
Village of Hatch
Schedule of Findings and Responses
June 30, 2019

AUDIT FINDINGS:

FS 2019-001 (2014-002) Picacho Mountain Investment –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.

Management is in the process of liquidating this 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 liquidating this investment and take in consideration the costs of this converting the land back into cash.

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 year or more.

Responsible Party: Village Trustees

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

STATE OF NEW MEXICO
Village of Hatch
Exit Conference
June 30, 2019

Exit Conference

An exit conference was held on November 1, 2019. In attendance were the following:

Andy Nunez	Mayor
James Whitlock	Trustee
Elizabeth J. Porras	Municipal Clerk
Bertha Torres	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.