

**STATE OF NEW MEXICO  
VILLAGE OF HATCH  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2020**



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Table of Contents**  
**June 30, 2020**

**INTRODUCTORY SECTION:**

Official Roster ..... 6

**FINANCIAL SECTION:**

Independent Auditors' Report .....8-10

**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)..... 14-15

Reconciliation of the Balance Sheet – Governmental Funds to  
the Statement of Net Position (Exhibit B-1) ..... 17

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds (Exhibit B-2) ..... 18-19

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances – Governmental Funds to the Statement of Activities  
(Exhibit B-2)..... 21

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary  
Basis) and Actual (Non-GAAP Budgetary Basis):  
General Fund (Exhibit C-1)..... 12

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary  
Basis) and Actual (Non-GAAP Budgetary Basis):  
Fire Fund (Exhibit C-2) ..... 19

Proprietary Funds - Statement of Net Position (Exhibit D-1) ..... 24

Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net  
Position (Exhibit D-2) ..... 25

Proprietary Funds - Statement of Cash Flows (Exhibit D-3)..... 26

**Fiduciary Funds:**

Revolving Loan Fund - Statement of Fiduciary Net Position (Exhibit E-1) ..... 28

Revolving Loan Fund - Statement of Changes in Net Fiduciary Net Position (Exhibit E-2).. 29

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Table of Contents**  
**June 30, 2020**

Notes to the Financial Statements .....30-61

**REQUIRED SUPPLEMENTARY INFORMATION:**

Schedule of the Village’s Proportionate Share of the Net Pension Liability –  
of PERA – Municipal Police (Schedule I)..... 64

Schedule of the Village’s Proportionate Share of the Net Pension Liability –  
of PERA – Municipal General (Schedule I)..... 65

Schedule of Contributions PERA Fund Division – Municipal Police (Schedule II) ..... 66

Schedule of Contributions PERA Fund Division – Municipal General (Schedule II) ..... 67

Schedule of the Village’s Proportionate Share of the Net OPEB Liability –  
of RHCA – (Schedule III) ..... 68

Schedule of Contributions RHCA – (Schedule IV) ..... 69

Notes to Required Supplementary Information ..... 70

**SUPPLEMENTARY INFORMATION:**

Non-major Fund Descriptions ..... 73

Combining Balance Sheets – Non-major Governmental Funds (Statement A-1) .....74-75

Combining Statements of Revenues, Expenditures and Changes  
in Fund Balances – Non-major Governmental Funds (Statement A-2) .....76-77

**SUPPORTING SCHEDULES:**

Schedule of Deposits (Schedule V) ..... 80

Schedule of Collateral Pledged by Depository (Schedule VI) ..... 81

**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.....84-85

Schedule of Findings and Responses .....86-87

Exit Conference ..... 88

**STATE OF NEW MEXICO  
Village of Hatch  
Official Roster  
June 30, 2020**

**VILLAGE COUNCIL**

Andy Nunez ..... Mayor  
Casey Crist ..... Trustee  
Peter J. Atencio..... Trustee  
James Whitlock..... Trustee  
Dennis Torres ..... Pro-tem Mayor

**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, 2020, 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, 2020, 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 64-70 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 the Fiduciary Funds (Exhibit E-1 and E-2), Supporting Schedules V, and VI 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 the Fiduciary Funds, Supporting Schedules V and VI 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 the Fiduciary Funds, Supporting Schedules V and VI referred to above are 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 September 11, 2020 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  
September 11, 2020

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Statement of Net Position**  
**June 30, 2020**

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,044,139	\$ 851,395	\$ 5,895,534
Restricted cash	156,176	314,839	471,015
Taxes receivable	205,710	-	205,710
Due from other funds	58,825	-	58,825
Customer receivables	-	140,638	140,638
<b>Total current assets</b>	<u>5,464,850</u>	<u>1,306,872</u>	<u>6,771,722</u>
<b>Noncurrent assets</b>			
Investment In land held for sale	1,213,277	-	1,213,277
Capital assets	21,033,048	11,428,181	32,461,229
Less: Accumulated depreciation	(9,545,103)	(7,723,343)	(17,268,446)
<b>Total noncurrent assets</b>	<u>12,701,222</u>	<u>3,704,838</u>	<u>16,406,060</u>
<b>Deferred outflows of resources</b>			
Deferred outflows from pension	524,870	58,319	583,189
Deferred outflows from OPEB	123,360	12,890	136,250
<b>Total Deferred outflows of resources</b>	<u>648,230</u>	<u>71,209</u>	<u>719,439</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 18,814,302</u>	<u>\$ 5,082,919</u>	<u>\$ 23,897,221</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 28,798	\$ 51,630	\$ 80,428
Accrued salaries and benefits	7,327	2,079	9,406
Due to other funds	58,825	-	58,825
Compensated absences	11,690	11,578	23,268
Notes payable	-	17,814	17,814
<b>Total current liabilities</b>	<u>106,640</u>	<u>83,101</u>	<u>189,741</u>
<b>Noncurrent liabilities</b>			
Customer deposits	-	40,354	40,354
Compensated absences	46,216	17,915	64,131
Notes payable	209,910	553,818	763,728
Net pension liability	2,190,824	243,425	2,434,249
Net OPEB liability	634,979	66,350	701,329
<b>Total noncurrent liabilities</b>	<u>3,081,929</u>	<u>921,862</u>	<u>4,003,791</u>
<b>Total Liabilities</b>	<u>3,188,569</u>	<u>1,004,963</u>	<u>4,193,532</u>
<b>Deferred inflows of resources</b>			
Deferred inflow from pension	75,882	8,431	84,313
Deferred inflow from OPEB	370,637	38,729	409,366
<b>Total deferred inflows of resources</b>	<u>446,519</u>	<u>47,160</u>	<u>493,679</u>
<b>Net Position</b>			
Net investment in capital assets	11,278,035	3,133,206	14,411,241
<b>Restricted for:</b>			
Special revenue	506,125	-	506,125
Capital projects	175,228	-	175,228
Debt service	-	274,485	274,485
Unrestricted	3,219,826	623,105	3,842,931
<b>Total net position</b>	<u>15,179,214</u>	<u>4,030,796</u>	<u>19,210,010</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 18,814,302</u>	<u>\$ 5,082,919</u>	<u>\$ 23,897,221</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental Activities</b>							
General government	\$ 1,213,446	\$ 278,186	\$ 266,261	\$ -	\$ (668,999)	\$ -	\$ (668,999)
Public safety	1,448,447	57,677	100,185	200,000	(1,090,585)	-	(1,090,585)
Public works	75,179	-	-	138,118	62,939	-	62,939
Culture and recreation	326,098	10,781	9,404	39,943	(265,970)	-	(265,970)
Health and welfare	998	18,464	-	-	17,466	-	17,466
<b>Total Governmental Activities</b>	<b>3,064,168</b>	<b>365,108</b>	<b>375,850</b>	<b>378,061</b>	<b>(1,945,149)</b>	<b>-</b>	<b>(1,945,149)</b>
<b>Business-Type Activities</b>							
Joint utility	774,936	489,534	-	-	-	(285,402)	(285,402)
Solid waste	214,038	311,191	-	-	-	97,153	97,153
<b>Total Business-Type Activities</b>	<b>988,974</b>	<b>800,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(188,249)</b>	<b>(188,249)</b>
<b>Total primary government</b>	<b>\$ 4,053,142</b>	<b>\$ 1,165,833</b>	<b>\$ 375,850</b>	<b>\$ 378,061</b>	<b>(1,945,149)</b>	<b>(188,249)</b>	<b>(2,133,398)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					119,608		119,608
Gross receipt taxes					801,523	80,563	882,086
Franchise taxes					49,961	-	49,961
Gas tax					1,002		1,002
Interest income					17,482	51	17,533
Miscellaneous income					153,292		153,292
Transfers					(147,400)	147,400	-
<b>Subtotal, General Revenues</b>					<b>995,468</b>	<b>228,014</b>	<b>1,223,482</b>
Change in Net Position					(949,681)	39,765	(909,916)
Net Position - beginning					16,128,895	3,991,031	20,119,926
<b>Net position - ending</b>					<b>\$ 15,179,214</b>	<b>\$ 4,030,796</b>	<b>\$ 19,210,010</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Balance Sheet -Governmental Funds**  
**June 30, 2020**

	<b>General Fund 101</b>	<b>Special Revenue Fund Fire 209</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,509,876	\$ 117,112
Restricted cash	141,899	14,277
Property taxes receivable	13,138	-
Gross receipts receivable	170,874	-
Other taxes receivable	10,630	-
Due from other funds	58,825	-
Investment in land held for sale	1,213,277	-
<b>Total assets</b>	<b>\$ 6,118,519</b>	<b>\$ 131,389</b>
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 19,712	\$ 6,259
Accrued salaries and benefits	7,327	-
Due to other funds	-	-
<b>Total liabilities</b>	<b>27,039</b>	<b>6,259</b>
<b>Fund balance</b>		
Nonspendable	1,213,277	-
Restricted for:		
Public Safety	-	125,130
Culture and recreation	-	-
Health and welfare	-	-
Capital Projects	141,899	-
Committed to:		
Minimum fund balance	154,494	-
Unassigned	4,581,810	-
<b>Total fund balance</b>	<b>6,091,480</b>	<b>125,130</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,118,519</b>	<b>\$ 131,389</b>

See Independent Auditors' Report and Notes to Financial Statements

<b>Capital Project Funds</b>				
<b>Street Improvements 302</b>	<b>Placitas Arroyo 303</b>	<b>Gateway Signs 317</b>	<b>Total Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 417,151	\$ 5,044,139
-	-	-	-	156,176
-	-	-	-	13,138
-	-	-	-	170,874
-	-	11,068	-	21,698
-	-	-	-	58,825
-	-	-	-	1,213,277
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,068</u>	<u>\$ 417,151</u>	<u>\$ 6,678,127</u>
\$ -	\$ -	\$ -	\$ 2,827	\$ 28,798
-	-	-	-	7,327
12,519	32,158	14,148	-	58,825
<u>12,519</u>	<u>32,158</u>	<u>14,148</u>	<u>2,827</u>	<u>94,950</u>
-	-	-	-	1,213,277
-	-	-	104,062	229,192
-	-	-	26,631	26,631
-	-	-	250,302	250,302
-	-	-	33,329	175,228
-	-	-	-	154,494
(12,519)	(32,158)	(3,080)	-	4,534,053
<u>(12,519)</u>	<u>(32,158)</u>	<u>(3,080)</u>	<u>414,324</u>	<u>6,583,177</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,068</u>	<u>\$ 417,151</u>	<u>\$ 6,678,127</u>

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**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Reconciliation of the Balance Sheet –**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2020**

Exhibit B-1  
Page 2 of 2

**Total Fund Balance - Governmental Funds** \$ 6,583,177

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	21,033,048
Less: Accumulated depreciation	(9,545,103)

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	524,870
Deferred outflows from OPEB	123,360
Deferred inflows from pension	(75,882)
Deferred inflows from OPEB	(370,637)

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	(57,906)
Notes payable	(209,910)
Net pension liability	(2,190,824)
Net OPEB liability	(634,979)

**Total net position of governmental activities** \$ 15,179,214

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Statement of Revenues, Expenses, and Changes in Fund Balances –**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<b>General Fund 101</b>	<b>Special Revenue Fund Fire 209</b>
<b>Revenues</b>		
Franchise taxes	\$ 49,961	\$ -
Property taxes	119,608	-
Gross receipt taxes	801,523	-
Gas tax	1,002	-
Charges for services	278,186	-
State operating grants	266,261	75,985
Federal capital grants	-	-
State capital grants	-	200,000
Miscellaneous income	151,258	-
Interest income	17,082	-
<b>Total Revenues</b>	<b>1,684,881</b>	<b>275,985</b>
<b>Expenditures</b>		
Current:		
General government	818,161	-
Public safety	880,902	49,413
Public works	50,689	-
Culture and recreation	35,510	-
Health and welfare	-	-
Capital outlay	68,670	409,911
<b>Total expenditures</b>	<b>1,853,932</b>	<b>459,324</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(169,051)</b>	<b>(183,339)</b>
<b>Other financing sources (uses)</b>		
Transfers in	392,707	-
Transfers out	(273,357)	-
Loan Proceeds	-	209,910
<b>Total other financing sources (uses)</b>	<b>119,350</b>	<b>209,910</b>
Net change in fund balance	(49,701)	26,571
<b>Fund balance - beginning of the year</b>	<b>6,141,181</b>	<b>98,559</b>
<b>Fund balance - end of year</b>	<b>\$ 6,091,480</b>	<b>\$ 125,130</b>

See Independent Auditors' Report and Notes to Financial Statements

<b>Capital Projects Funds</b>				
<b>Street Improvements 302</b>	<b>Placitas Arroyo 303</b>	<b>Gateway Signs 317</b>	<b>Total Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 49,961
-	-	-	-	119,608
-	-	-	-	801,523
-	-	-	-	1,002
-	-	-	86,922	365,108
-	-	-	33,604	375,850
-	-	-	86,866	86,866
-	38,878	11,068	41,249	291,195
-	-	-	2,034	153,292
-	-	-	400	17,482
-	38,878	11,068	251,075	2,261,887
-	-	-	-	818,161
-	-	-	46,294	976,609
-	-	-	-	50,689
-	-	-	184,360	219,870
-	-	-	673	673
113,274	71,036	14,148	71,626	748,665
113,274	71,036	14,148	302,953	2,814,667
(113,274)	(32,158)	(3,080)	(51,878)	(552,780)
-	-	-	125,957	518,664
-	-	-	(392,707)	(666,064)
-	-	-	-	209,910
-	-	-	(266,750)	62,510
(113,274)	(32,158)	(3,080)	(318,628)	(490,270)
100,755	-	-	732,952	7,073,447
\$ (12,519)	\$ (32,158)	\$ (3,080)	\$ 414,324	\$ 6,583,177

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**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund  
Balances - Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2020**

**Net Change in Fund Balance - Governmental Funds** \$ (490,270)

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	748,665
Depreciation expense	(665,217)

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	(346,243)
Net OPEB expense	40,419

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	(27,125)
Debt Issuance	(209,910)

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (949,681)</b>
--	---------------------

## 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, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property Taxes	\$ 376,000	\$ 376,000	\$ 119,767	\$ (256,233)
Gross receipts	542,000	542,000	771,907	229,907
Gasoline and Motor vehicle	-	-	1,066	1,066
Other	-	-	-	-
Franchise tax	-	-	50,066	50,066
<b>Intergovernmental income:</b>				
State operating grants	200,000	200,000	266,261	66,261
State capital grants	-	-	-	-
Charges for services	295,000	295,000	348,466	53,466
License and fees	7,250	7,250	-	(7,250)
Investment income	-	-	17,082	17,082
Miscellaneous	93,240	93,240	151,258	58,018
<b>Total revenue</b>	<u>1,513,490</u>	<u>1,513,490</u>	<u>1,725,873</u>	<u>212,383</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,042,576	1,042,576	851,877	190,699
Public safety	981,010	981,010	880,902	100,108
Public works	86,500	86,500	50,689	35,811
Culture and recreation	83,606	83,606	35,510	48,096
Capital outlay	41,569	41,569	41,569	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>2,235,261</u>	<u>2,235,261</u>	<u>1,860,547</u>	<u>374,714</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(721,771)</u>	<u>(721,771)</u>	<u>(134,674)</u>	<u>587,097</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	721,771	721,771	-	-
Transfers in	-	-	392,707	392,707
Transfers out	-	-	(273,357)	(273,357)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>119,350</u>	<u>119,350</u>
Net Change in fund balance			(15,324)	
Fund balance - beginning of year			6,141,181	
<b>Fund balance - end of year</b>			<u>\$ 6,125,857</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			(15,324)	
Adjustments to revenue for decrease in receivables			(39,221)	
Adjustment to expenditures for increase in liabilities			4,844	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ (49,701)</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, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable)
				Final to Actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
<b>Intergovernmental income:</b>				
State operating grants	75,985	75,985	75,985	-
State capital grants	200,000	200,000	200,000	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>275,985</b>	<b>275,985</b>	<b>275,985</b>	<b>-</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	75,985	75,985	62,900	13,085
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	409,911	409,911	-
<b>Total expenditures</b>	<b>75,985</b>	<b>485,896</b>	<b>472,811</b>	<b>13,085</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>200,000</b>	<b>(209,911)</b>	<b>(196,826)</b>	<b>(13,085)</b>
<b>Other financing resources (uses)</b>				
Debt Issuance	209,910	209,910	209,910	-
Designated cash (budgeted increase in cash)	(200,000)	209,911	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>9,910</b>	<b>419,821</b>	<b>209,910</b>	<b>(209,911)</b>
Net Change in fund balance	209,910	209,910	13,084	13,084
Fund balance - beginning of year			98,559	98,559.00
<b>Fund balance - end of year</b>			<b>\$ 111,643</b>	<b>\$ 111,643</b>
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			13,084	
Adjustments to revenue for fire intercept revenues			18,388	
Adjustment to expenditures for change in liabilities and fire intercept payment			(4,901)	
<b>Net Change in fund balance (GAAP basis)</b>			<b>\$ 26,571</b>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2020**

Exhibit D-1

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 607,392	\$ 244,003	\$ 851,395
Restricted cash	314,839	-	314,839
Accounts receivable	94,473	46,165	140,638
<b>Total current assets</b>	<u>1,016,704</u>	<u>290,168</u>	<u>1,306,872</u>
<b>Noncurrent assets</b>			
Capital assets	11,428,181	-	11,428,181
Less: accumulated depreciation	(7,723,343)	-	(7,723,343)
<b>Total noncurrent assets</b>	<u>3,704,838</u>	<u>-</u>	<u>3,704,838</u>
<b>Deferred outflows of resources</b>			
Deferred outflows from pension	58,319	-	58,319
Deferred outflows from OPEB	12,890	-	12,890
<b>Total deferred of resources</b>	<u>71,209</u>	<u>-</u>	<u>71,209</u>
<b>Total assets, and deferred outflows of resources</b>	<u>\$ 4,792,751</u>	<u>\$ 290,168</u>	<u>\$ 5,082,919</u>
<b>Liabilities deferred inflows, and net position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 29,969	\$ 21,661	\$ 51,630
Accrued salaries and benefits	2,079	-	2,079
Compensated absences	11,578	-	11,578
Notes payable	17,814	-	17,814
<b>Total current liabilities</b>	<u>61,440</u>	<u>21,661</u>	<u>83,101</u>
<b>Noncurrent liabilities</b>			
Customer deposits	40,354	-	40,354
Compensated absences	17,915	-	17,915
Notes payable	553,818	-	553,818
Net pension liability	243,425	-	243,425
Net OPEB liability	66,350	-	66,350
<b>Total noncurrent liabilities</b>	<u>921,862</u>	<u>-</u>	<u>921,862</u>
<b>Total Liabilities</b>	<u>983,302</u>	<u>21,661</u>	<u>1,004,963</u>
<b>Deferred inflows of resources</b>			
Deferred inflows from pension	8,431	-	8,431
Deferred inflows from OPEB	38,729	-	38,729
<b>Total deferred inflows of resources</b>	<u>47,160</u>	<u>-</u>	<u>47,160</u>
<b>Net position</b>			
Net investment in capital asset	3,133,206	-	3,133,206
Restricted for:			
Debt service	274,485	-	274,485
Unrestricted	354,598	268,507	623,105
<b>Total net position</b>	<u>3,762,289</u>	<u>268,507</u>	<u>4,030,796</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 4,792,751</u>	<u>\$ 290,168</u>	<u>\$ 5,082,919</u>

See Independent Auditors' Report and Notes to Financial Statements



## STATE OF NEW MEXICO

Exhibit D-2

## Village of Hatch

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

For the Year Ended June 30, 2020

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$ 489,534	\$ 311,191	\$ 800,725
<b>Total operating revenues</b>	<u>489,534</u>	<u>311,191</u>	<u>800,725</u>
<b>Operating expenses:</b>			
Depreciation and amortization	233,455	-	233,455
Personnel services	393,924	-	393,924
Contractual services	631	214,038	214,669
Supplies	2,987	-	2,987
Maintenance and materials	7,859	-	7,859
Utilities	66,011	-	66,011
Miscellaneous	46,554	-	46,554
<b>Total operating expense</b>	<u>751,421</u>	<u>214,038</u>	<u>965,459</u>
<b>Operating income (loss)</b>	<u>(261,887)</u>	<u>97,153</u>	<u>(164,734)</u>
<b>Non-operating revenues (expense):</b>			
Gross receipts taxes	80,563	-	80,563
Interest income	51	-	51
Interest expense	(23,515)	-	(23,515)
<b>Total non-operating revenues (expense)</b>	<u>57,099</u>	<u>-</u>	<u>57,099</u>
<b>Income (loss) before contributions and transfers</b>	<u>(204,788)</u>	<u>97,153</u>	<u>(107,635)</u>
Transfers in	147,400	-	147,400
<b>Total contributions and transfers</b>	<u>147,400</u>	<u>-</u>	<u>147,400</u>
<b>Change in Net Position</b>	<u>(57,388)</u>	<u>97,153</u>	<u>39,765</u>
<b>Net Position - beginning of the year</b>	<u>3,819,677</u>	<u>171,354</u>	<u>3,991,031</u>
<b>Net Position - end of the year</b>	<u>\$ 3,762,289</u>	<u>\$ 268,507</u>	<u>\$ 4,030,796</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2020**

Exhibit D-3

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 460,298	\$ 302,331	\$ 762,629
Cash payments to employees for services	(361,831)	-	(361,831)
Cash payments to suppliers for goods and services	(118,279)	(212,894)	(331,173)
<b>Net cash used by operating activities</b>	<u>(19,812)</u>	<u>89,437</u>	<u>69,625</u>
<b>Cash flow from noncapital financing activities:</b>			
Taxes received	80,563	-	80,563
Transfers	147,400	-	147,400
<b>Net cash provided (used) by noncapital financing activities</b>	<u>227,963</u>	<u>-</u>	<u>227,963</u>
<b>Cash flows from capital and related financing activities:</b>			
Interest paid	(23,515)	-	(23,515)
Principal payments	(164,900)	-	(164,900)
<b>Net cash used by capital and related financing activities</b>	<u>(188,415)</u>	<u>-</u>	<u>(188,415)</u>
<b>Cash flows from investing activities:</b>			
Interest income	51	-	51
<b>Net cash provided by investing activities</b>	<u>51</u>	<u>-</u>	<u>51</u>
Net increase (decrease) in cash and cash equivalents	19,787	89,437	109,224
<b>Cash &amp; cash equivalents - beginning of year</b>	<u>902,444</u>	<u>154,566</u>	<u>1,057,010</u>
<b>Cash &amp; cash equivalents - end of year</b>	<u>\$ 922,231</u>	<u>\$ 244,003</u>	<u>\$ 1,166,234</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (261,887)	\$ 97,153	\$ (164,734)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
Pension & OPEB expense	34,336	-	34,336
Depreciation	233,455	-	233,455
<b>Changes in assets &amp; liabilities:</b>			
Receivables	(30,736)	(8,860)	(39,596)
Accounts payable	5,763	1,144	6,907
Accrued salaries and benefits	(12,949)	-	(12,949)
Compensated absences	10,706	-	10,706
Customer deposits	1,500	-	1,500
<b>Net cash provided (used) by operating activities</b>	<u>\$ (19,812)</u>	<u>\$ 89,437</u>	<u>\$ 69,625</u>

See Independent Auditors' Report and Notes to Financial Statements

## **FIDUCIARY FUNDS**

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

Exhibit E-1

	<b>Revolving Loan Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 479,386
Notes receivable	7,145
<b>Total Assets</b>	<b>\$ 486,531</b>
<b>Net Position</b>	
<b>Liabilities</b>	
Deposits held in trust	\$ 479,386
Receivables held in trust	7,145
<b>Total Net Position</b>	<b>\$ 486,531</b>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Exhibit E-2

Village of Hatch

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

June 30, 2020

	Revolving Loan Fund			Balance June 30, 2020
	Balance June 30, 2019	Receipts	Disbursements	
<b>Assets</b>				
Cash and cash equivalents	\$ 472,951	\$ 6,435	\$ -	\$ 479,386
Notes receivable	12,896	-	5,751	7,145
<b>Total assets</b>	<u>\$ 485,847</u>	<u>\$ 6,435</u>	<u>\$ 5,751</u>	<u>\$ 486,531</u>
<b>Liabilities</b>				
Held in fiduciary fund account	\$ 485,847	\$ 6,435	\$ 5,751	\$ 486,531
<b>Total liabilities</b>	<u>\$ 485,847</u>	<u>\$ 6,435</u>	<u>\$ 5,751</u>	<u>\$ 486,531</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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)

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

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

Gateway Signs accounts for the receipts, loans and expenditures related to Gateway Signs. This fund is authorized by the Village Council.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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.

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, 2020, 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

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2020, 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, 2020.

**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 (measureable 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

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

Net Investment in Capital Assets - Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Non-spendable – 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.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

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

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

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 \$154,494 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, 2020**

**NOTE 2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets of the Village are prepared prior to June 1<sup>st</sup> 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, 2020 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.

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.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 3. Cash and Cash Equivalents**

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, 2020, \$2,764,014 of the Village's bank balance of \$3,264,014 was exposed to custodial credit risk, \$1,418,910 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 \$1,180,986 was uninsured and uncollateralized at June 30, 2020.

	Bank of the Southwest	Wells Fargo	Total
Deposits	\$ 2,680,986	\$ 583,028	\$ 3,264,014
Less: FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>2,430,986</u>	<u>333,028</u>	<u>2,764,014</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>168,910</u>	<u>1,418,910</u>
Uninsured and uncollateralized	<u>1,180,986</u>	<u>-</u>	<u>1,180,986</u>
Collateral requirements (50% of uninsured funds)	1,215,493	166,514	1,382,007
Pledged Collateral	<u>1,250,000</u>	<u>168,910</u>	<u>1,418,910</u>
Over (under) collateralized	<u>\$ 34,507</u>	<u>\$ 2,396</u>	<u>\$ 36,903</u>

Custodial Credit Risk Investments - For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are that are in the possession of an outside party. The Village's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

New Mexico Local Government Investment Pool (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(1) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.



**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 3. Cash and Cash Equivalents (continued)**

As of June 30, 2020, the City had the following investments and maturities:

Investment Type	Maturities	Rating	Fair value
New Mexico LGIP	[25] day WAM R; [77] day WAM (F)	AAAm	\$ 4,011,997

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.
- Level 2      Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the City's investments in New Mexico LGIP of \$4,011,997 are measured through level 1 input.

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	\$ 5,044,139
Cash and cash equivalents - Business-type Activities Exhibit A-1	851,395
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1	156,176
Restricted cash and cash equivalents - Business-type Activities Exhibit A-1	314,839
Cash and cash equivalents - Fiduciary Funds Exhibit E-1	479,386
Total cash and cash equivalents	\$ 6,845,935
Add: outstanding checks	500,688
LGIP Cash	(4,011,997)
Less: outstanding deposits	(70,312)
Less: Cash on hand	(300)
Bank balance of deposits	\$ 3,264,014

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**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, 2020.

The Village's investments in Dona Ana County, NM at June 30, 2020 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, 2020 the Village did not liquidated any part of this investment. As of June 30, 2020 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.

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.

**NOTE 5. Accounts and Taxes Receivable**

Receivables as of June 30, 2020 are as follows:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Property taxes	\$ 13,138	\$ -	\$ -
Gross receipts taxes	170,874	-	-
Grants receivable	11,068	-	-
Franchise taxes	9,707	-	-
Gasoline taxes	923	-	-
<b>Other receivables:</b>			
Customer receivables	-	140,638	7,145
Receivable from sale of land	-	-	-
<b>Total</b>	<b>\$ 205,710</b>	<b>\$ 140,638</b>	<b>\$ 7,145</b>

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.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 5. Accounts and Taxes Receivable (continued)**

Fiduciary Notes Receivable Revolving Loan Fund is as follows:

<u>Promisor</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Loan Balance 6/30/2020</u>
Hatch Auto Electric	50,000	4% per annum	7,145
Net Receivables	<u>\$ 50,000</u>		<u>\$ 7,145</u>

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:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Library	\$ 105,957
General Fund	Joint utility	147,400
Corrections	General Fund	350,000
General Fund	Swimming Pool Facility	20,000
Equipment Building	General Fund	42,707
Total		<u>\$ 666,064</u>

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, 2020 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Street Improvements	\$ 12,519
General Fund	Placitas Arroyo	32,158
General Fund	Gateway Signs	14,148
Total		<u>\$ 58,825</u>

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2020 is as follows (land and construction in progress is not subject to depreciation):

<b>Governmental Activities:</b>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:			
Land	\$ 2,699,107	\$ -	\$ 2,699,107
Construction in process (CIP)	450,708	230,139	680,847
Total capital assets, not depreciated	<u>\$ 3,149,815</u>	<u>\$ 230,139</u>	<u>\$ 3,379,954</u>
Capital assets depreciated:			
Buildings	\$ 5,511,885	\$ -	\$ 5,511,885
Other improvements	4,899,617	39,944	4,939,561
Infrastructure	5,284,810	-	5,284,810
Machinery and equipment	1,438,256	478,582	1,916,838
Total capital assets, depreciated	<u>17,134,568</u>	<u>518,526</u>	<u>17,653,094</u>
Total capital assets	<u>\$ 20,284,383</u>		<u>\$ 21,033,048</u>
Less accumulated depreciation:			
Buildings	\$ 2,691,920	\$ 138,565	\$ 2,830,485
Other improvements	2,267,064	153,420	2,420,484
Infrastructure	2,698,023	292,597	2,990,620
Machinery and equipment	1,222,879	80,635	1,303,514
Total accumulated depreciation	<u>8,879,886</u>	<u>665,217</u>	<u>9,545,103</u>
Capital Assets, Net	<u>\$ 11,404,497</u>		<u>\$ 11,487,945</u>

There were no deletions of capital assets in fiscal year 2020. Depreciation expense for the year ended June 30, 2020 was charged to governmental activities as follows:

General Government	\$ 263,434
Public Safety	314,451
Public Works	16,321
Culture and Recreation	70,794
Health and welfare	217
	<u>\$ 665,217</u>

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 7. Capital Assets (continued)**

<b>Business-type activities:</b>	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Balance June 30, 2020</b>
Capital assets not depreciated:			
Land	\$ 62,099	\$ -	\$ 62,099
Construction in process (CIP)	12,303	-	12,303
Total capital assets not depreciated	<u>74,402</u>	<u>-</u>	<u>74,402</u>
Capital asset depreciated:			
Buildings	54,666	-	54,666
Utility system	10,070,642	-	10,070,642
Machinery and equipment	1,228,471	-	1,228,471
Total capital assets, depreciated	<u>11,353,779</u>	<u>-</u>	<u>11,353,779</u>
Total capital assets	<u>11,428,181</u>		<u>11,428,181</u>
Less accumulated depreciation:			
Buildings	54,666	-	54,666
Utility system	6,262,722	220,919	6,483,641
Machinery and equipment	1,172,500	12,536	1,185,036
Total accumulated depreciation	<u>7,489,888</u>	<u>233,455</u>	<u>7,723,343</u>
Capital Assets, Net	<u>\$ 3,938,293</u>		<u>\$ 3,704,838</u>

**NOTE 8. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2020, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position in governmental activities:

	<b>Balance June 30, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2020</b>	<b>Due Within One Year</b>
NMFA Loan PPRF-5157	\$ -	\$ 209,910	\$ -	\$ 209,910	\$ -
Compensated Absences	30,781	37,676	10,551	57,906	11,690
Total long term debt	<u>\$ 30,781</u>	<u>\$ 247,586</u>	<u>\$ 10,551</u>	<u>\$ 267,816</u>	<u>\$ 11,690</u>

On June 9, 2020 the Village borrowed \$209,910 for the purpose of purchasing a new fire pumper truck. This loan is secured by the State Fire Allotment. The revenues pledged total \$211,602 at June 30, 2020 which is 30% of the future State Fire Allotment at their current rate. Interest rate for this loan is 0.16% and maturity dates range from 2022 through 2030. During the year ended June 30, 2020 the Village recognized \$75,985 in pledged revenues, and retired \$0 in loan principal and interest.

The debt service requirements on long-term debt for governmental activities at June 30, 2020 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2021	\$ -	\$ -	\$ -
2022	22,206	336	22,542
2023	23,083	301	23,384
2024	23,359	264	23,623
2025	23,544	226	23,770
2026 -2030	117,718	565	118,283
	<u>\$ 209,910</u>	<u>\$ 1,692</u>	<u>\$ 211,602</u>

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 8. Long-term Debt (continued)**

**Business-Type Activities**

During the year ended June 30, 2020, 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, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
USDA Revenue Bonds	\$ 664,400	\$ -	\$ 162,400	\$ 502,000	\$ 10,000
NMED Clean Water Loan	30,000	-	2,501	27,499	2,500
NMFA Loans	42,133	-	-	42,133	5,314
Total Loans Payable	<u>736,533</u>	<u>-</u>	<u>164,901</u>	<u>571,632</u>	<u>17,814</u>
Compensated Absences	18,787	16,274	5,568	29,493	11,578
Total Long Term Debt	<u>\$ 755,320</u>	<u>\$ 16,274</u>	<u>\$ 170,469</u>	<u>\$ 601,125</u>	<u>\$ 29,392</u>

**Revenue Bonds**

The Village has two issuances of bonds outstanding with the USDA. These bonds were issued on May 25, 2011 in the amounts of \$454,000 and 132,000, and both maturities on May 24, 2051. 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, 2020 in the amount of \$99,448. These loans have average interest rate between 2.3% and 2.65%. The revenues pledged total \$735,579 at June 30, 2020, which is 4.68% of the future Joint Utility revenues at their current rate. During the year ended June 30, 2020, the Village recognized \$489,235 in pledged revenues, and retired \$23,150 in loan principal and interest.

**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 to the villages Joint Utility System. This loan is secured by and payable from the net revenues derived from the operation of the Joint Utility. The revenues pledged total \$27,499 at June 30, 2020, which is 0.51% of the future Joint Utility revenues at their current rate. Interest rate for this loan is 0% and maturity dates range from 2021 through 2031. During the year ended June 30, 2020, the Village recognized \$489,235 in pledged revenues, and retired \$2,500 in loan principal.

**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. The revenues pledged total \$7,927 at June 30, 2020, which is 0.12% of the future Joint Utility revenues at their current rate. Interest rate for this loan is 0.25% and maturity dates range from 2021 through 2033. During the year ended June 30, 2020, the Village recognized \$489,235 in pledged revenues, and retired \$0 in loan principal and interest.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 8. Long-term Debt (continued)**

**Business-Type Activities**

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.

The revenues pledged total \$35,085 at June 30, 2020, which is 0.45% of the future Joint Utility revenues at their current rate. Interest rate for this loan is 0.25% and maturity dates range from 2021 through 2035. During the year ended June 30, 2020, the Village recognized \$489,235 in pledged revenues, and retired \$0 in loan principal and interest.

The debt service requirements on long-term debt for business type activities at June 30, 2020 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	17,814	13,096	30,910
2022	15,166	12,727	27,893
2023	17,174	12,463	29,637
2024	17,180	12,149	29,329
2025	17,187	11,834	29,021
2026-2030	90,036	55,951	145,987
2031-2035	87,072	47,359	134,431
2036-2040	84,000	37,726	121,726
2041-2045	93,000	26,674	119,674
2046-2050	107,003	14,405	121,408
2051	26,000	1,911	27,911
Total	<u>\$ 571,632</u>	<u>\$ 246,295</u>	<u>\$ 817,927</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, 2020, 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, 2020**

**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, 2020 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 2018 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 2020 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 \$125,958 for the year ended June 30, 2020. 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, 2020**

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

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

<b>PERA Contribution Rates and Pension Factors In effect during FY19</b>						
Coverage Plan	Employee Contribution		Employer Contribution Percentag	Pension Factor per		Pension Maximum as a Percentag
	Annual Salary less than	Annual Salary greater than		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
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%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
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%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
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, 2020**

**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, 2019. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2019, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2020.

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, 2020. Only employer contributions for the pay period end dates that fell within the period of July 1, 2018 to June 30, 2020 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, 2020, the Village reported a liability of \$1,151,181 for its proportionate share of the net pension liability. At June 30, 2020, the Village's proportion of the net pension liability was .0665 percent, which was slightly changed from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Village recognized PERA Fund Division Municipal General Pension expense of \$173,121. At June 30, 2020, 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, 2020**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 34,514	\$ 12,454
Changes of assumptions	51,331	2,835
Net difference between projected and actual earnings on pension plan investments	38,792	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	55,615	-
Village's contributions subsequent to the measurement date	56,725	-
Total	\$ 236,977	\$ 15,289

Village contributions of \$56,725 are reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b>	<b>Amount</b>
2021	\$ 88,638
2022	50,008
2023	19,935
2024	6,382
Thereafter	-
Total	\$ 164,963

For PERA Fund Division Municipal Police, at June 30, 2020, the Village reported a liability of \$1,283,068 for its proportionate share of the net pension liability. At June 30, 2020, the Village's proportion was .1737% percent, which was slightly changed from its proportion measured as of June 30, 2020.

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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

For the year ended June 30, 2020, the Village recognized PERA Fund Division Municipal Police pension expense of \$211,593. At June 30, 2020, the Village reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 53,603	\$ 54,657
Changes of assumptions	72,779	3,264
Net difference between projected and actual earnings on pension plan investments	40,066	-
Changes in proportion and differences between Village's contributions and proportionate share of contributions	110,433	11,103
Village's contributions subsequent to the measurement date	69,331	-
Total	<u>\$ 346,212</u>	<u>\$ 69,024</u>

Village contributions of \$69,331 reported as deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 75,387
2022	92,554
2023	33,341
2024	6,575
Thereafter	-
Total	<u>\$ 207,857</u>

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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

**Actuarial Assumptions:** The total pension liability at June 30, 2020 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
Amortization Period	Solved for based on statutory rates
Retirement	Changes to current assumed rates of
Projected Benefit Payment	100 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%
Includes Inflation at	2.50% Static
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>
Risk Reduction	21.4%	2.37%
Credit Oriented	15.0%	5.47%
Real Assets	20.0%	6.48%
Multi Risk Allocation	1.3%	
Total	<u>100%</u>	

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**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	\$ 1,741,092	\$ 1,151,181	\$ 663,109

  

<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	\$ 1,941,689	\$ 1,283,068	\$ 745,757

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY19 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, 2020**

**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 \$19,060 for the year ending June 30, 2020.

At June 30, 2020, the City reported a liability of \$701,329 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019. At June 30, 2020, the Village's proportion was 0.02163 percent.

For the year ended June 30, 2020, the Village recognized OPEB expense of \$(44,554). At June 30, 2020 the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 176,490
Changes in Proportion	107,660	-
Changes of assumptions	-	226,355
Net difference between projected and actual earnings on pension plan investments	-	6,521
Village's contributions subsequent to the measurement date	28,590	-
Total	<u>\$ 136,250</u>	<u>\$ 409,366</u>

Deferred outflows of resources totaling \$28,590 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ (82,659)
2022	(82,659)
2023	(68,596)
2024	(38,061)
Thereafter	(29,731)
<b>Total</b>	<u>\$ (301,706)</u>

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**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, 2019
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	3.25-13.5%
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 are 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	10.0%	1.79%
Real Estate	5.0%	6.90%
Absolute Return	5.0%	6.10%
Real Assets	3.0%	9.10%
<b>Total</b>	<b>100%</b>	



**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**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 4.16% as of June 30, 2020. 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, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2030. Beyond 2030, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, thus, 4.16% 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 (3.16 percent) or 1-percentage-point higher (5.16 percent) than the current discount rate:

<u>RHC Fund Division Municipal Government</u>	<u>1% Decrease (3.16%)</u>	<u>Current Discount Rate (4.16%)</u>	<u>1% Increase (5.16%)</u>
Village’s proportionate share of the net OPEB liability	\$ 857,894	\$ 701,329	\$ 578,254

**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, 2020.

**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, 2020 was as follows:

<u>Fund</u>	<u>Amount</u>
Street Improvements	\$ (12,519)
Placitas Arroyo	(32,158)
Gateway Signs	(3,080)

**NOTE 13. Subsequent Events**

The date to which events occurring after June 30, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is September 11, 2020 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, 2020**

**NOTE 14. Restricted net position**

The government-wide statement of net position reports \$681,353 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 33 and pages 71. The government-wide statement of net position reports \$274,485 of restricted amounts in business-type activities, all of which is restricted for debt service.

**NOTE 15. Leases (GASB 87)**

The Village has a copier lease which at June 30, 2020 was running on a month to month basis with new terms to be established during FY 2021. There are no items at June 30, 2020 which would be effected by GASB 87.

**NOTE 16. Related Party**

As of June 30, 2020, 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, 2020**

**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, 2020**

**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, 2020**

**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, 2020.

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**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\*

<b>MUNICIPAL POLICE FUND</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Village's proportion of the net pension liability (asset)	0.1737%	0.1642%	0.1399%	0.1491%	0.1502%	0.0913%
Village's proportionate share of the net pension liability (asset)	\$ 1,283,068	\$ 1,120,343	\$ 777,236	\$ 1,100,104	\$ 722,246	\$ 297,628
Village's covered-employee payroll	\$ 373,522	\$ 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	343.51%	276.48%	224.05%	351.57%	239.52%	95.31%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	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\*

<b>MUNICIPAL GENERAL FUND</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Village's proportion of the net pension liability (asset)	0.0665%	0.0660%	0.0585%	0.0572%	0.0524%	0.0499%
Village's proportionate share of the net pension liability (asset)	\$ 1,151,181	\$ 1,052,284	\$ 1,151,181	\$ 913,863	\$ 534,263	\$ 389,274
Village's covered-employee payroll	\$ 532,111	\$ 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	216.34%	199.09%	217.42%	191.94%	108.99%	105.49%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	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

<b>MUNICIPAL POLICE FUND</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 69,288	\$ 75,169	\$ 64,350	\$ 58,044	\$ 55,935	\$ 57,924
Contributions in relation to the contractually required contribution	\$ 69,331	\$ 75,743	\$ 69,331	\$ 58,038	\$ 56,062	\$ 58,160
Contribution deficiency (excess)	\$ (43)	\$ (574)	\$ (4,981)	\$ 6	\$ (127)	\$ (236)
Village's covered-employee payroll	\$ 373,522	\$ 405,222	\$ 346,901	\$ 312,908	\$ 301,535	\$ 312,258
Contributions as a percentage of covered-employee payroll	18.56%	18.69%	19.99%	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

<b>MUNICIPAL GENERAL FUND</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 56,670	\$ 50,477	\$ 50,565	\$ 45,469	\$ 46,815	\$ 39,299
Contributions in relation to the contractually required contribution	\$ 56,725	\$ 50,495	\$ 56,725	\$ 45,469	\$ 46,815	\$ 38,963
Contribution deficiency (excess)	\$ (55)	\$ (18)	\$ (6,160)	\$ (0)	\$ 0	\$ 336
Village's covered-employee payroll	\$ 532,111	\$ 528,555	\$ 529,472	\$ 476,111	\$ 490,210	\$ 369,008
Contributions as a percentage of covered-employee payroll	10.66%	9.55%	10.71%	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.

See Independent Auditors' Report

## 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\***

<b>VILLAGE IN SUMMATION</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Village's proportion of the net OPEB liability (asset)	0.0216	0.0123	0.0187
Village's proportionate share of the net OPEB liability (asset)	\$ 701,329	\$ 927,069	\$ 848,782
Village's covered-employee payroll	\$ 953,020	\$ 957,103	\$ 866,909
Village's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	73.59%	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**  
**Schedule of Contributions**  
**OPEB Liability**  
**For the Year Ended June 30, 2020**

Schedule IV

<b>VILLAGE IN SUMMATION</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Contractually required contribution	\$ 19,060	\$ 19,142	\$ 17,338
Contributions in relation to the contractually required contribution	\$ 19,060	\$ 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2020**

**Changes of benefit terms**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY19 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2019.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2019.pdf).

There were no major changes to the benefit terms which impact the measurements provided in the Retiree Health Care Fund. The 2019 report can be found at:

[http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/RHCA\\_Final\\_Employer\\_Allocation\\_Schedules\\_6.30.19.pdf](http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/RHCA_Final_Employer_Allocation_Schedules_6.30.19.pdf)

## **SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Nonmajor Fund Description**  
**June 30, 2020**

**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** – To account for the operation of the Villages swimming pool facility. Authorized by Village Council Ordinance.

**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**

**Airport action Plan** – To account for the grant revenues and expenses associated with the action plan on the Village's airport area. Authorized by state legislation NMSA 64-2-1 2001 and federal grant 3-35-0021-007.

**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, 2020**

	<b>Special Revenue</b>				
	<b>Corrections</b>	<b>Law Enforcement</b>	<b>Lodgers Tax</b>	<b>Parks and Recreation</b>	<b>Swimming Pool Facility</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 99,890	\$ 171	\$ 10,436	\$ 9,259	\$ 4,185
<b>Total assets</b>	<u>99,890</u>	<u>171</u>	<u>10,436</u>	<u>9,259</u>	<u>4,185</u>
<b>Liabilities and fund balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 32	\$ 523
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32</u>	<u>523</u>
<b>Fund balance</b>					
Restricted for:					
Public Safety	99,890	171	-	-	-
Culture and recreation	-	-	10,436	9,227	3,662
Health and Welfare	-	-	-	-	-
Capital Projects	-	-	-	-	-
<b>Total fund balance</b>	<u>99,890</u>	<u>171</u>	<u>10,436</u>	<u>9,227</u>	<u>3,662</u>
<b>Total liabilities and fund balance</b>	<u>\$ 99,890</u>	<u>\$ 171</u>	<u>\$ 10,436</u>	<u>\$ 9,259</u>	<u>\$ 4,185</u>

See Independent Auditors' Report and Notes to Financial Statements

Special Revenue			Capital Projects			Total Other Governmental Funds
Library	Police Seizure	Cemetery	Airport Action Plan	Equipment Building	Rapid Response Fire Truck	
\$ 5,578	\$ 4,001	\$ 250,302	\$ 9,330	\$ -	\$ 23,999	\$ 417,151
<u>5,578</u>	<u>4,001</u>	<u>250,302</u>	<u>9,330.00</u>	<u>-</u>	<u>23,999</u>	<u>417,151</u>
\$ 2,272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,827
<u>2,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,827</u>
-	4,001	-	-	-	-	104,062
3,306	-	-	-	-	-	26,631
-	-	250,302	-	-	-	250,302
-	-	-	9,330	-	23,999	33,329
<u>3,306</u>	<u>4,001</u>	<u>250,302</u>	<u>9,330</u>	<u>-</u>	<u>23,999</u>	<u>414,324</u>
<u>\$ 5,578</u>	<u>\$ 4,001</u>	<u>\$ 250,302</u>	<u>\$ 9,330</u>	<u>\$ -</u>	<u>\$ 23,999</u>	<u>\$ 417,151</u>

**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, 2020**

	<b>Special Revenue</b>				
	<b>Corrections</b>	<b>Law Enforcement</b>	<b>Lodgers Tax</b>	<b>Parks and Recreation</b>	<b>Swimming Pool Facility</b>
<b>Revenues</b>					
Charges for services	\$ 57,677	\$ -	\$ -	\$ 3,269	\$ 7,512
State operating grants	-	24,200	-	-	-
Federal Capital Grants	-	-	-	-	-
State capital grants	-	-	-	-	-
Miscellaneous income	-	-	1,204	-	-
Interest income	-	-	-	-	-
<b>Total revenue</b>	<b>57,677</b>	<b>24,200</b>	<b>1,204</b>	<b>3,269</b>	<b>7,512</b>
<b>Expenditures</b>					
Current:					
Public safety	22,094	24,200	-	-	-
Culture and recreation	-	-	1,076	1,242	52,837
Health and welfare	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>22,094</b>	<b>24,200</b>	<b>1,076</b>	<b>1,242</b>	<b>52,837</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>35,583</b>	<b>-</b>	<b>128</b>	<b>2,027</b>	<b>(45,325)</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	20,000
Transfers out	(350,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>
Net change in fund balance	(314,417)	-	128	2,027	(25,325)
<b>Fund balance - beginning of year</b>	<b>414,307</b>	<b>171</b>	<b>10,308</b>	<b>7,200</b>	<b>28,987</b>
<b>Fund balance - end of year</b>	<b>\$ 99,890</b>	<b>\$ 171</b>	<b>\$ 10,436</b>	<b>\$ 9,227</b>	<b>\$ 3,662</b>

Special Revenue			Capital Project			Total Other Governmental Funds
Library	Police Seizure	Cemetery	Airport Action Plan	Equipment Building	Rapid Response Fire Truck	
\$ -	\$ -	\$ 18,464	\$ -	\$ -	\$ -	\$ 86,922
9,404	-	-	-	-	-	33,604
-	-	-	86,866	-	-	86,866
39,943	-	-	1,306	-	-	41,249
830	-	-	-	-	-	2,034
-	-	360	-	-	40	400
<u>50,177</u>	<u>-</u>	<u>18,824</u>	<u>88,172</u>	<u>-</u>	<u>40</u>	<u>251,075</u>
-	-	-	-	-	-	46,294
129,205	-	-	-	-	-	184,360
-	-	673	-	-	-	673
39,943	-	-	31,683	-	-	71,626
<u>169,148</u>	<u>-</u>	<u>673</u>	<u>31,683</u>	<u>-</u>	<u>-</u>	<u>302,953</u>
(118,971)	-	18,151	56,489	-	40	(51,878)
105,957	-	-	-	-	-	125,957
-	-	-	-	(42,707)	-	(392,707)
105,957	-	-	-	(42,707)	-	(266,750)
(13,014)	-	18,151	56,489	(42,707)	40	(318,628)
16,320	4,001	232,151	(47,159)	42,707	23,959	732,952
<u>\$ 3,306</u>	<u>\$ 4,001</u>	<u>\$ 250,302</u>	<u>\$ 9,330</u>	<u>\$ -</u>	<u>\$ 23,999</u>	<u>\$ 414,324</u>

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Schedule of Deposits**  
**June 30, 2020**

Schedule V

	<u><b>Bank of the Southwest</b></u>	<u><b>Wells Fargo</b></u>	<u><b>Total</b></u>
Bank deposits checking	\$ 1,961,511	\$ 453,723	\$ 2,415,234
Bank deposits savings	719,475	129,305	848,780
Total deposits	<u>\$ 2,680,986</u>	<u>\$ 583,028</u>	<u>3,264,014</u>
		Petty Cash	300
		LGIP Cash	4,011,997
		Net reconciling Items	<u>(430,376)</u>
		Total cash & cash equivalents	<u>\$ 6,845,935</u>
Cash and cash equivalents Exhibit A-1			\$ 5,895,534
Restricted Cash and cash equivalents Exhibit A-1			471,015
Cash & cash equivalents fiduciary funds Exhibit E-1			<u>479,386</u>
		Total cash & cash equivalents	<u>\$ 6,845,935</u>

See Independent Auditors' Report



**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Schedule of Collateral Pledged by Depository**  
**June 30, 2020**

Schedule VI

<b>Name of Depository</b>	<b>Description of Pledged Collateral</b>	<b>Maturity</b>	<b>CUSIP Number</b>	<b>Par/FMV Value at June 30, 2020</b>
Wells Fargo	FMAC	4/1/2042	3131XJKU5	\$ 32,282
Wells Fargo	FMAC	11/1/2045	3132A5EK7	23,664
Wells Fargo	FMAC	5/1/2047	3132A5G25	10,541
Wells Fargo	FMAC	11/1/2047	3132A5HU2	25,083
Wells Fargo	FMAC	10/1/2049	31339SWS0	67,827
Wells Fargo	FNMA	2/1/2050	3140QCWM4	9,513
Bank of the Southwest	FHLB	6/1/2024	NA	\$ 1,250,000
			Total	<u>1,418,910</u>

See Independent Auditors' Report

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## **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. Colon, 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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 11, 2020.

**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 2020-001.

**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

September 11, 2020

**STATE OF NEW MEXICO  
Village of Hatch  
Schedule of Findings and Responses  
June 30, 2020**

**SUMMARY OF AUDIT RESULTS:**

*Financials Statements:*

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

**PRIOR YEAR AUDIT FINDINGS:**

FS 2020-001 Picacho Mountain Investments – Significant Deficiency & Material Non-Compliance – Repeated/Modified

**STATE OF NEW MEXICO**  
**Village of Hatch**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**AUDIT FINDINGS:**

**FS 2020-001 (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, 2020**

**Exit Conference**

An exit conference was held on September 11, 2020. In attendance were the following:

Dennis Torres	Pro-tem 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.