

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
RESOLUTION 2019 - 150**

(6th FISCAL YEAR ENDING JUNE 30, 2019)

WHEREAS, the City of Rio Communities Governing Body has approved and accepted its statutory requirement authorizing an independent public auditor (Hinkle + Landers, PC). to perform the required annual financial audit for Fiscal Year 2017-18;

WHEREAS, this audit, upon its completion, has been presented to the City of Rio Communities' Governing Body per the authorization letter from the Office of the State Auditor dated February 25th, 2019.

WHEREAS, NMAC 2.2.2.10 (M) (4) provides, in pertinent part, "if applicable, once the audit report has been officially released to the agency by the Office of the State Auditor (by way of letter), and the required waiting period of five calendar days has passed, unless waived by the agency, the audit report shall be presented to a quorum of the governing authority at a meeting held in accordance with the Open Meetings Act;"

NOW THEREFORE, BE IT RESOLVED, that the Governing Body of the City of Rio Communities hereby accepts and approves the completed audit report and findings as indicated within the attached documents.

ACCEPTED AND APPROVED this 9th day of April 2019 in regular session by the City of Rio Communities' Governing Body.

City of Rio Communities Governing Body

Mark Gwinn,
Mayor

Margaret (Peggy) Gutjahr,
Councilor Mayor Pro-tem

William (Bill) Brown,
Councilor

Arturo R. Sais,
Councilor

Joshua Ramsell,
Councilor

ATTEST

Elizabeth (Lisa) Adair,
Municipal Clerk

<h1>OK To Print Communication</h1>		Date: February 25, 2019
		Number of pages including cover sheet: 2
Subject: City of Rio Communities	Agency #: 6153	From: Office of the State Auditor 2540 Camino Edward Ortiz, Ste #A Santa Fe, NM 87507
Fiscal Year: June 30, 2018		Attention: Anne Kelbley
Attention: Steve Nolan	Firm: Hinkle + Landers, PC	e-mail: reports@osa.state.nm.us
Telephone: 505-883-8788		Telephone: (505) 476-3800
Fax: 505-883-8797		Fax: (505) 827-3512
E-mail: fvener@hl-cpas.com		
<u>AGENCY</u>		
Attention: Celina Benavidez		
Telephone: 505-861-6803		
Fax: 505-861-6804		
E-mail: finance@riocommunities.net		

In accordance with the Audit Act, Section 12-6-1 et seq., NMSA 1978, and the 2018 Audit Rule, NMAC 2.2.2.1 et seq., the Office of the State Auditor ("OSA") reviewed this financial and compliance audit report or agreed-upon procedures report ("Report"). In accordance with Audit Act, the OSA has determined that the Report has been made in accordance with the provisions of the contract and applicable rules promulgated by the OSA. **Therefore this Report is "OK to Print"**. 1 SEARCHABLE electronic copy labeled "Final" per 2.2.2.9(B)(3) NMAC) should be submitted to the OSA **within five business days** of receipt of this communication. You do not need to submit a hard-copy final Report to the OSA.

The following items, prepared using the most current templates posted on the OSA website in accordance with the instructions provided, must be submitted with the Final Report for financial and compliance audit Reports **(these items are not required for agreed-upon procedures Reports)**:

- The electronic Excel version of the Findings Summary form,
- The electronic Excel version of the Vendor Schedule form,
- The electronic Excel version of the Fund Balance Schedule form,
- The electronic Excel version of the GASBS 77 Disclosure template, if applicable, and
- The electronic Excel version of the Indigent Care Cost and Funding Report and Calculations of Cost of Providing Indigent Care Worksheet, if applicable (Hospitals only)
- The electronic Excel version of the schedules of asset management costs, if applicable (STO, PERA, ERB and SIC).

Except for any comments contained in this OK to Print communication, all of which should be addressed before resubmission, the Report should not be changed from what was previously submitted. Please provide **written notification** to the OSA of all changes made and relevant page numbers, including those changes made in response to OSA comments, with the requisite final copies of the Report submitted to the OSA. The written notification must be signed by the audit manager and attached as a PDF file to the email submission of the Final PDF Report. Written notifications submitted in the body of emails will not be considered received. **Please note that any changes that do not result from OSA comments may require an additional review of the report and could potentially jeopardize the report's current "OK to Print" status.**

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential, and exempt for disclosure. If the reader of this message is not the intended recipient, or the employee or agent of the recipient, you are hereby notified that any dissemination, distribution, or copying of this document is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the address noted above. Thank you.

This communication does **not** authorize the IPA or the agency to release the Report to the public. Per Section 12-6-5, NMSA 1978, the Report and the information contained in it cannot be released to the public until five calendar days **after** the OSA has officially released the Report. The OSA will send the release letter to the agency after the OSA approves the final copies and the Report will be made public after the required five-day wait period has passed or is waived.

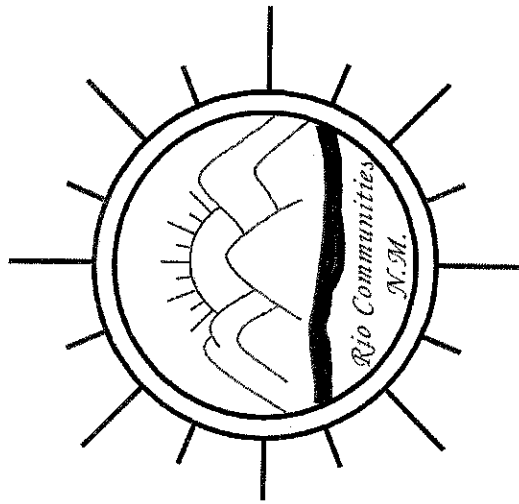
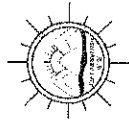
The audited agency can waive the five-day waiting period required by Section 12-6-5, NMSA 1978. To do so, the agency's governing authority or the governing authority's designee must provide written notification to the OSA of the waiver in the form of a letter. The letter must be signed by the agency's governing authority or the governing authority's designee and be sent via letter, email or fax to the attention of State Auditor Brian S. Colón. The OSA strongly prefers to receive the written notification **prior** to the submission of the final Report to the OSA.

Please call us if you have any questions. Thank you for your prompt attention regarding this matter.

Comments That Must Be Corrected or Addressed:

1. The reviewer could not locate a GASB 77 note disclosure. Please update the Notes, even if GASBS 77 does not apply, per 2.2.210(BB)(3) NMAC
2. Please update the classification of the findings to comply with NM Audit Rule requirements of 2.2.2.10(L)(1) NMAC: *(We are now posting this information to our website when reports are released and your assistance is greatly appreciated.)*

Reminder: Please submit all electronic documents, such as the vendor schedule, audit report, etc. with the final Report.

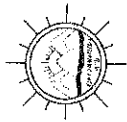


2018 AUDIT SUMMARY PRESENTATION

December 13, 2018

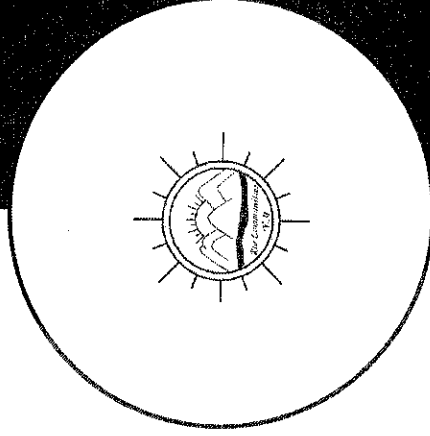
Presented by:

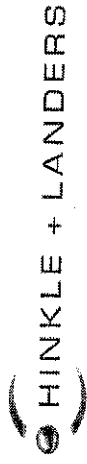
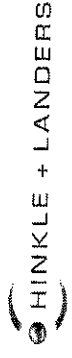
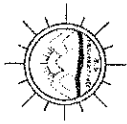
Farley Vener, CPA, CFE, CGMA
President & Managing Shareholder



TODAY'S AGENDA

- ✓ Auditor's Communications – AU-C 260
- ✓ Significant Audit Results / Opinion
- ✓ Findings/Recommendations
- ✓ Review Financial Statement Trends





Engagement Team

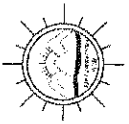
Partner In-Charge

Farley H. Vener, CPA, CFE, CGMA

Audit Team

Steve Nolan, CPA, Audit Manager





Scope of Our Audit Procedures

Financial Statements

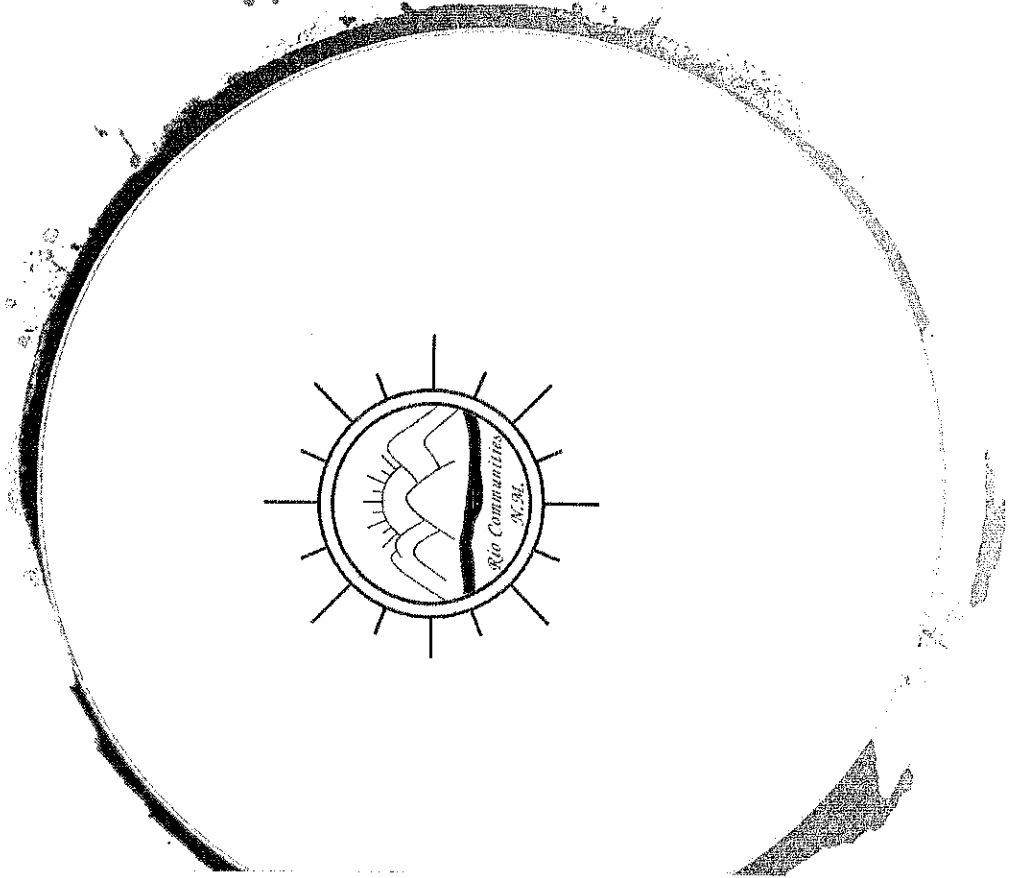
Procedures are designed to provide reasonable assurance to detect:

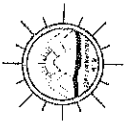
- Material inaccuracies in financial statements
- Internal control material weaknesses and significant deficiencies
- Sec. 12-6-5 NMSA 1978 – Each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination
- Instances of noncompliance with State audit rule testing require findings.
- Procedures are not designed to find fraud although any discovered would be reported.

Who Do We Serve?

Responsibility to provide objective fiduciary information to:

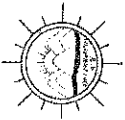
- The City Council (provide objective fiduciary information)
- Management
- Public Interest





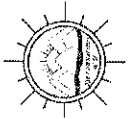
**Auditor's Communication With Those Charged With
Governance
(AU-C Section 260)**

RESPONSIBILITIES	Management	Auditor
Accounting Policies	X	
Internal Controls	X	
Significant Estimates	X	
Management Representation Letter	X	
Opinion on Financial Statements		X
Reasonable Assurance		X
Understanding of Internal Controls Sufficient to Plan the Audit		X



**Auditor's Communication With Those Charged With
Governance (AU-C 260)
Required Communications**

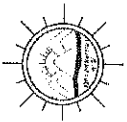
COMMUNICATIONS	CONCLUSION
Accounting Policies	Consistent
Proposed Audit Adjustments	6
Adjustments Made by Client	2
Adjustments for Presentation Purposes Only	6
Passed Adjustments-Because of Immateriality	None
Disagreements with Management	None
Management's Consultations with Other Accountants	Aware of None
Discussing of Accounting Issues Prior to Retention	None
Significant Difficulties in Performing the Audit	None



Summary of Audit Results

Financial Statements:

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None
• Noncompliance material to the financial statements noted?	None
• Noncompliance with State Audit Rule, NIM State Statutes, NMAC or other entity compliance	Yes

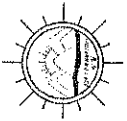


Findings

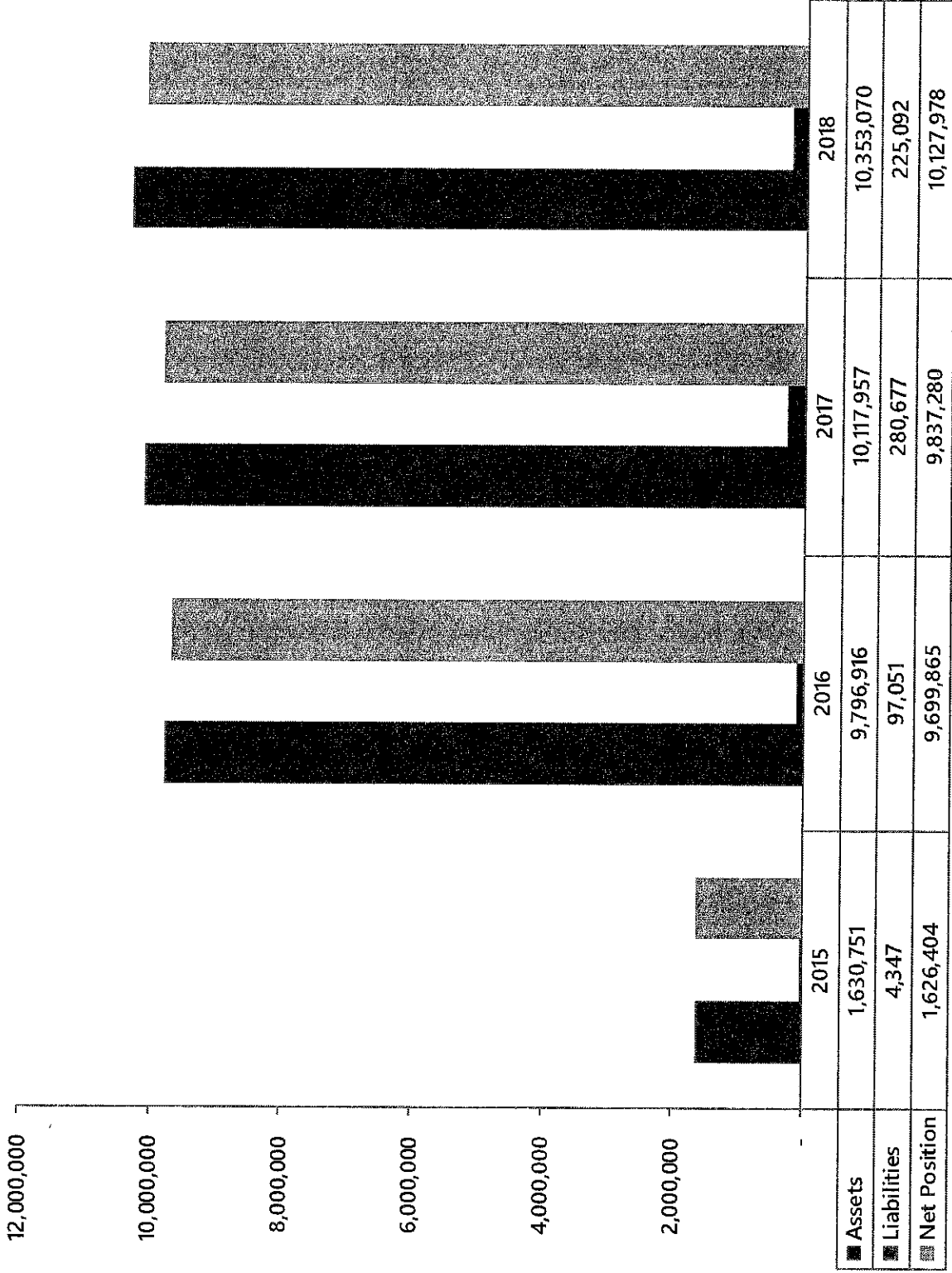
Reference #	Finding	Status of Prior / Current Year Findings	Type of Finding*
PRIOR YEAR			
2017-001	Lack of Controls Over Financial Reporting	Corrected	A
2017-002	Budget Controls	Corrected	D
CURRENT YEAR			
2018-001	Timely Deposits	Current	D

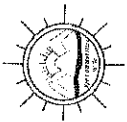
* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

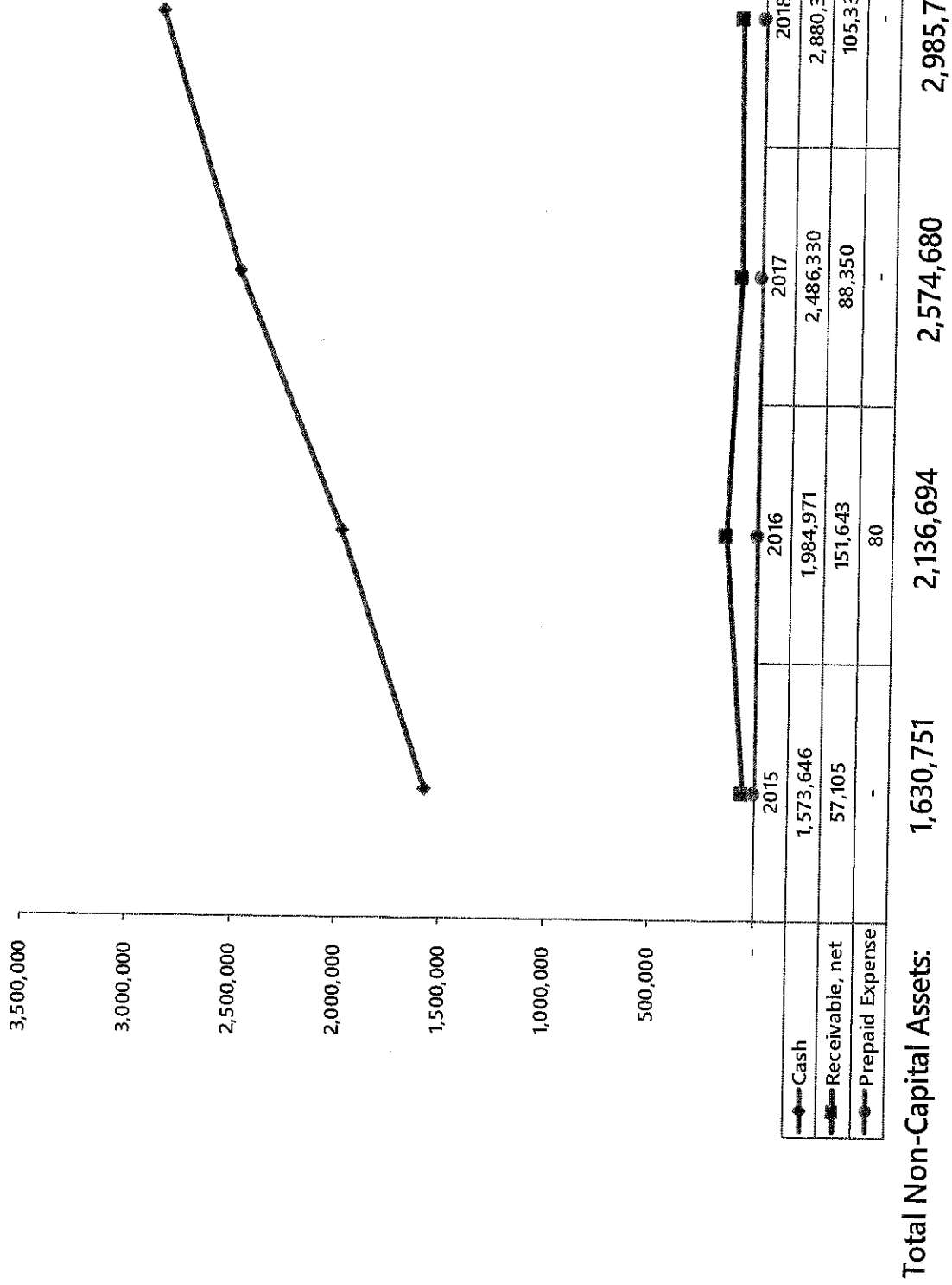


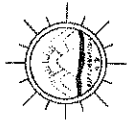
Balance Sheet Analysis



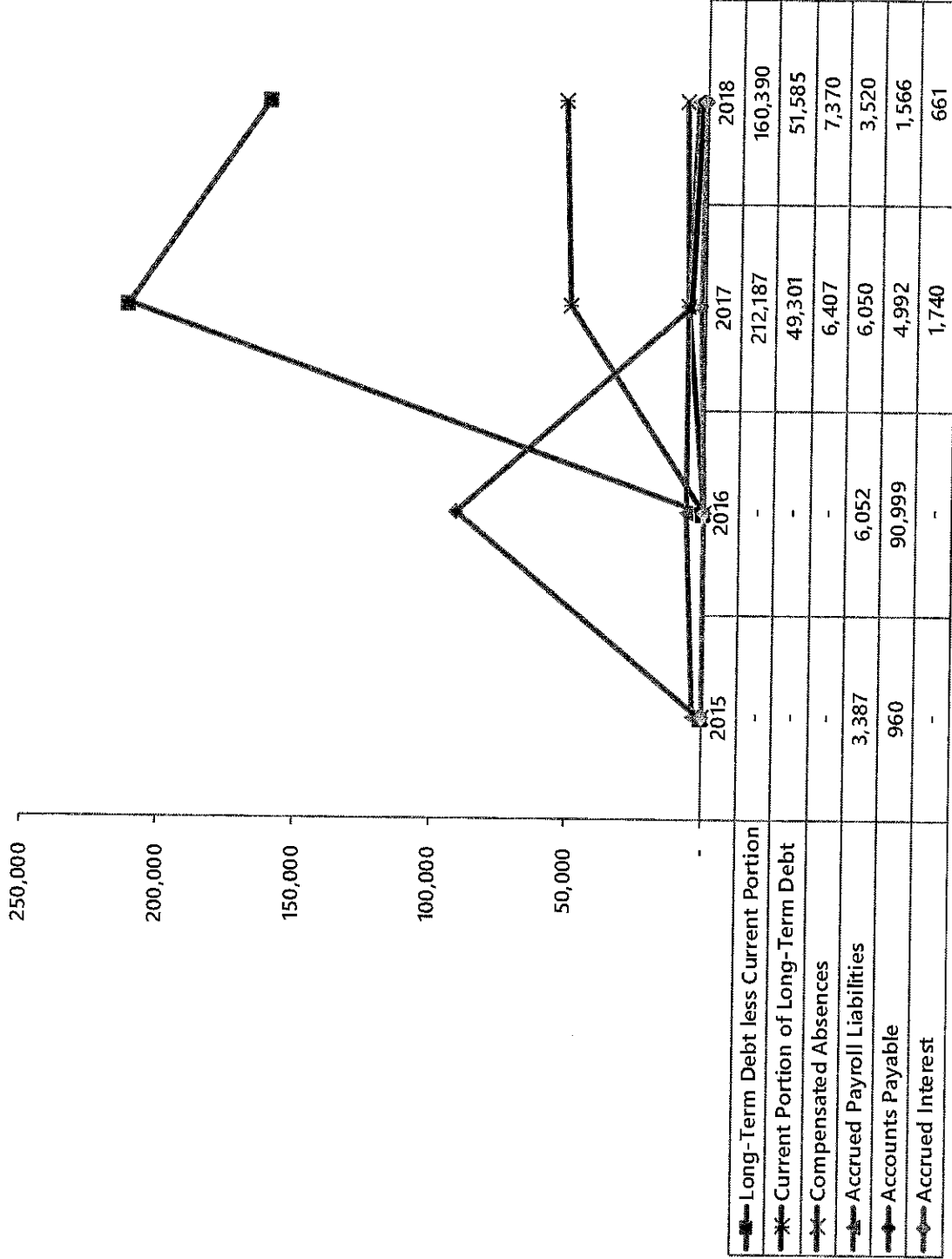


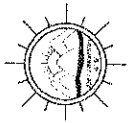
Assets, Except Capital Assets, Over Time



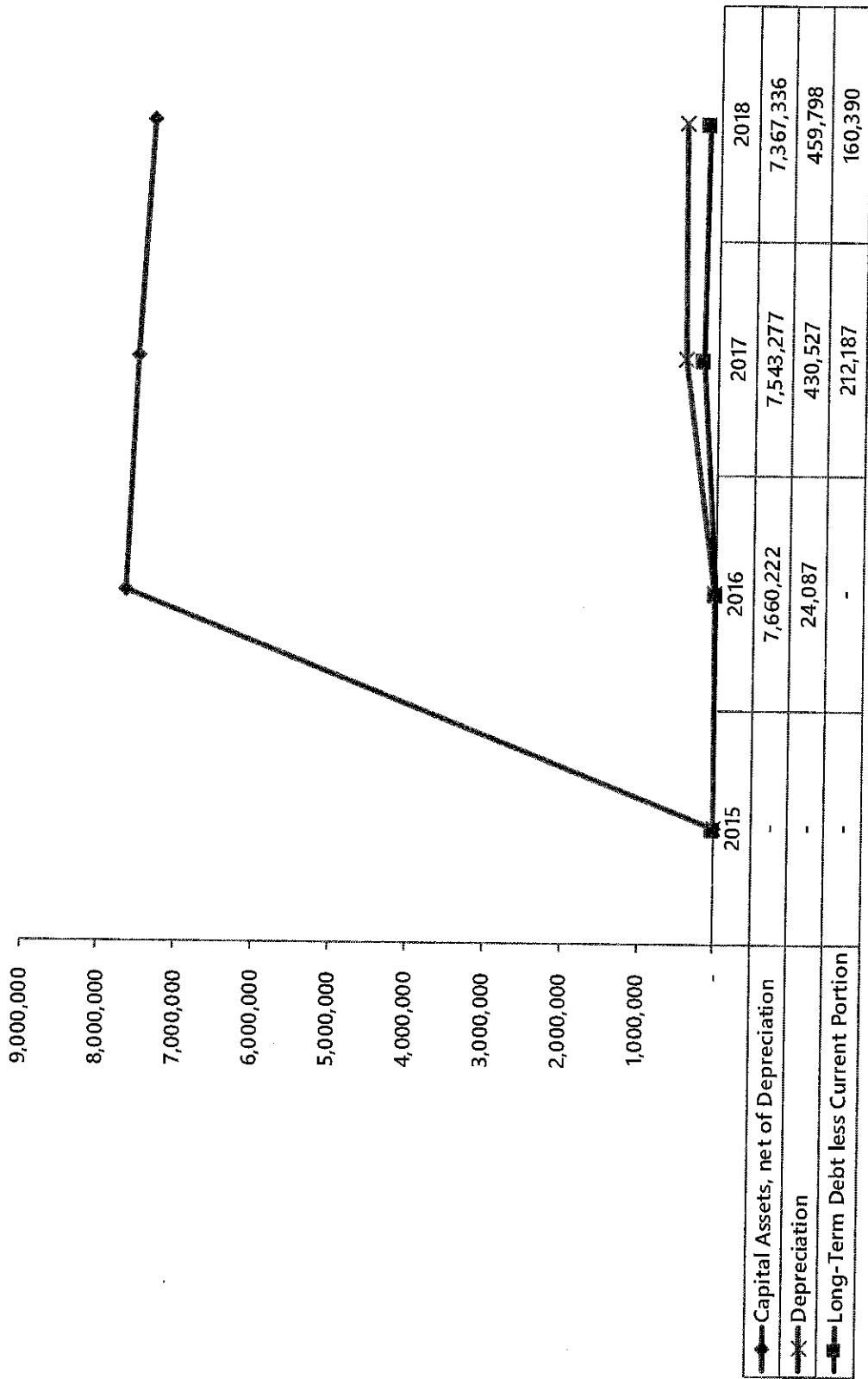


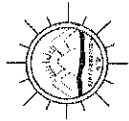
Liabilities Over Time



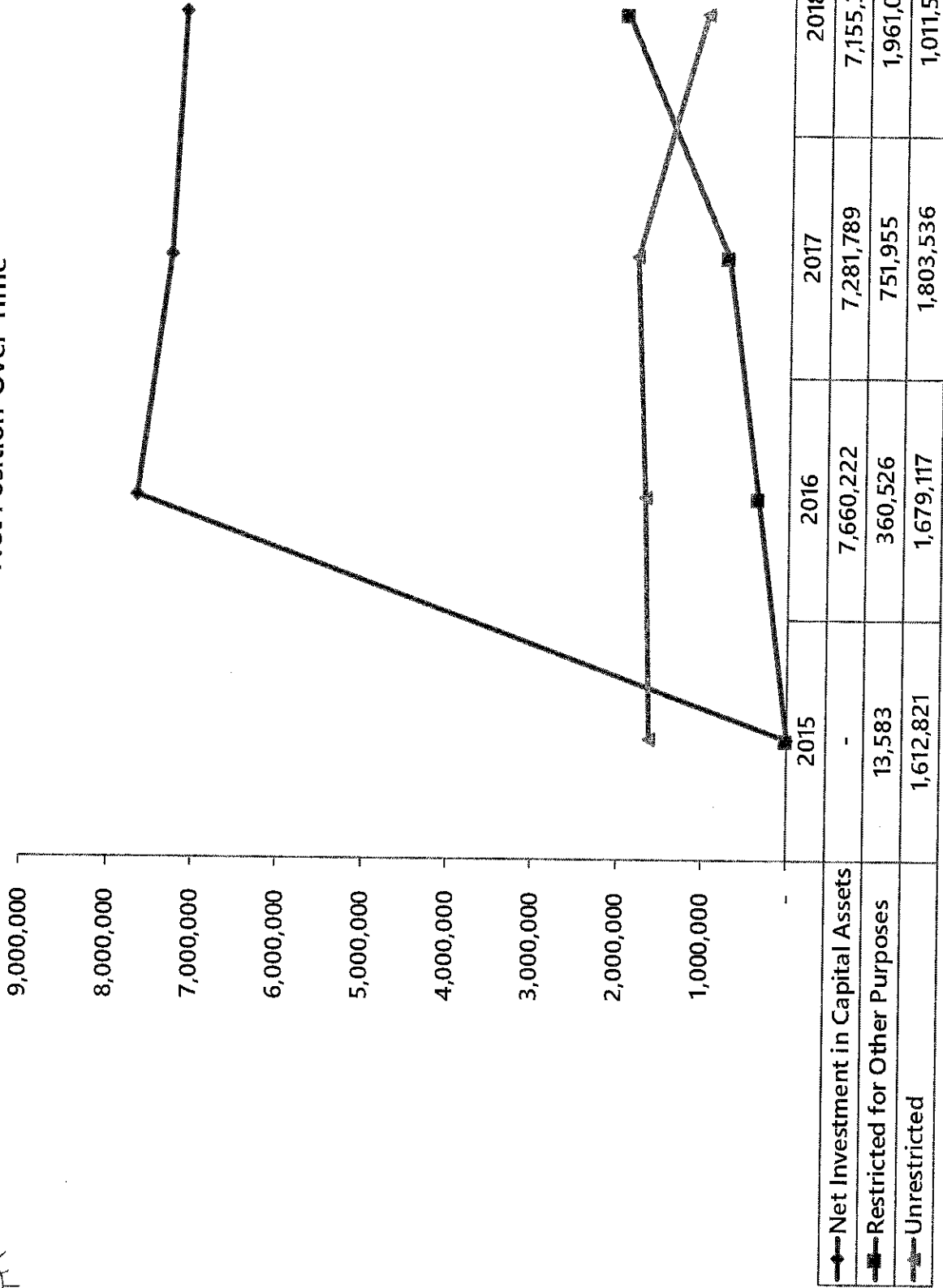


Capital Assets, Depreciation, and Long-Term Debt

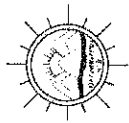




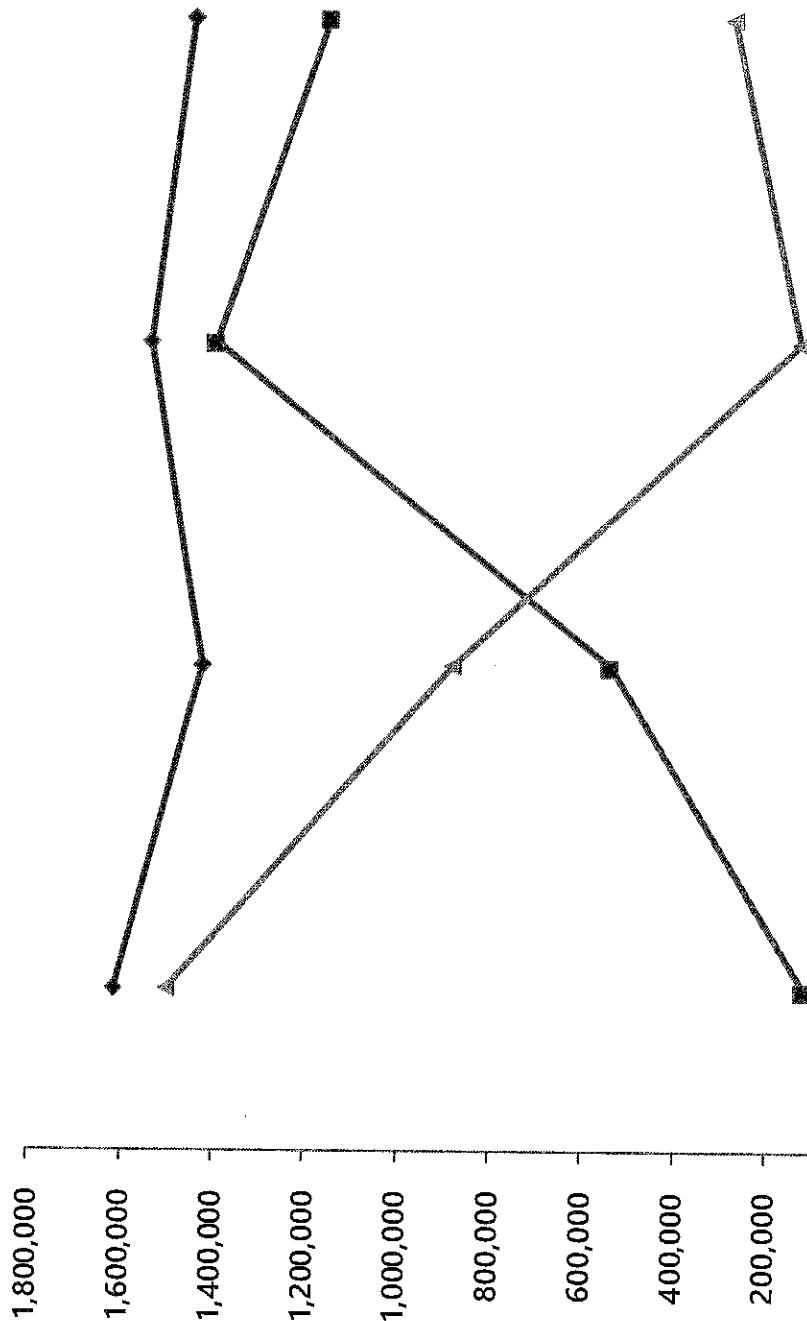
Net Position Over Time



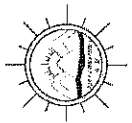
Total Net Position: 1,626,404 9,699,865 9,837,280 10,127,978



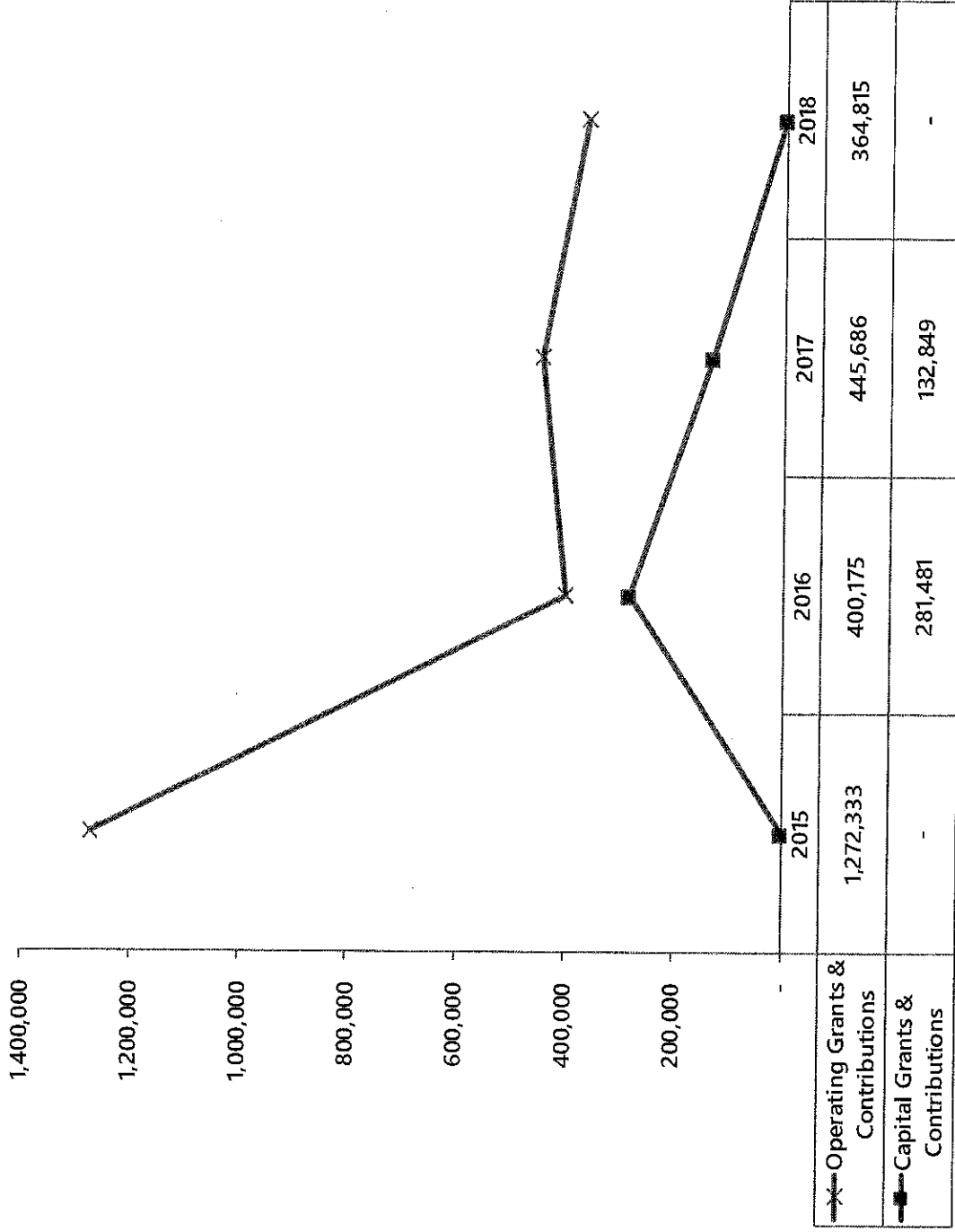
Change in Net Position



	2015	2016	2017	2018
Total Revenue	1,616,595	1,430,250	1,547,053	1,460,883
Total Expenses	119,397	544,617	1,409,638	1,170,185
Change in Net Position	1,497,198	885,633	137,415	290,698



Program Revenue - Governmental Activities



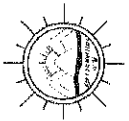
Total Program Revenue:

1,272,333

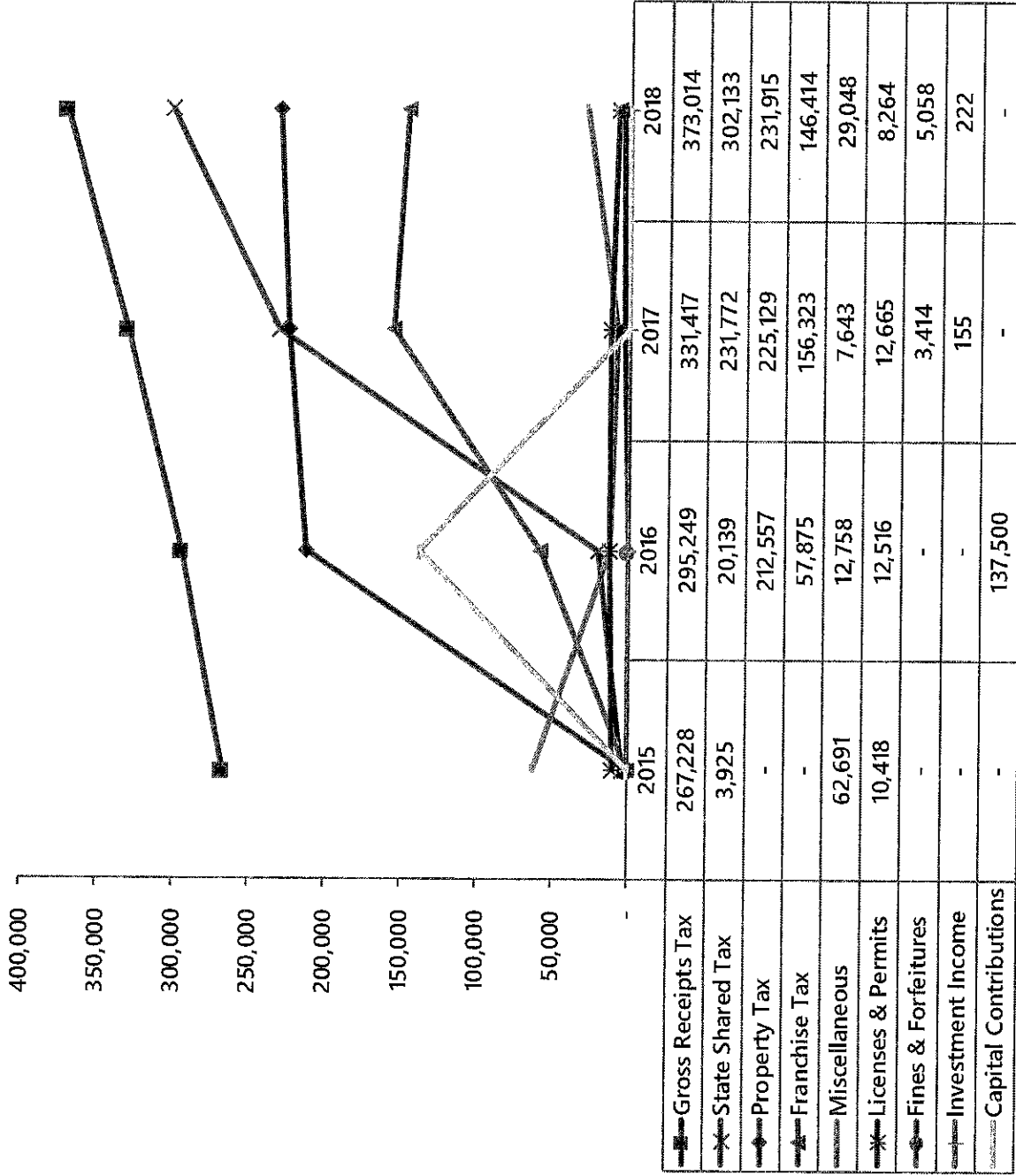
681,656

578,535

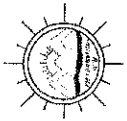
364,815



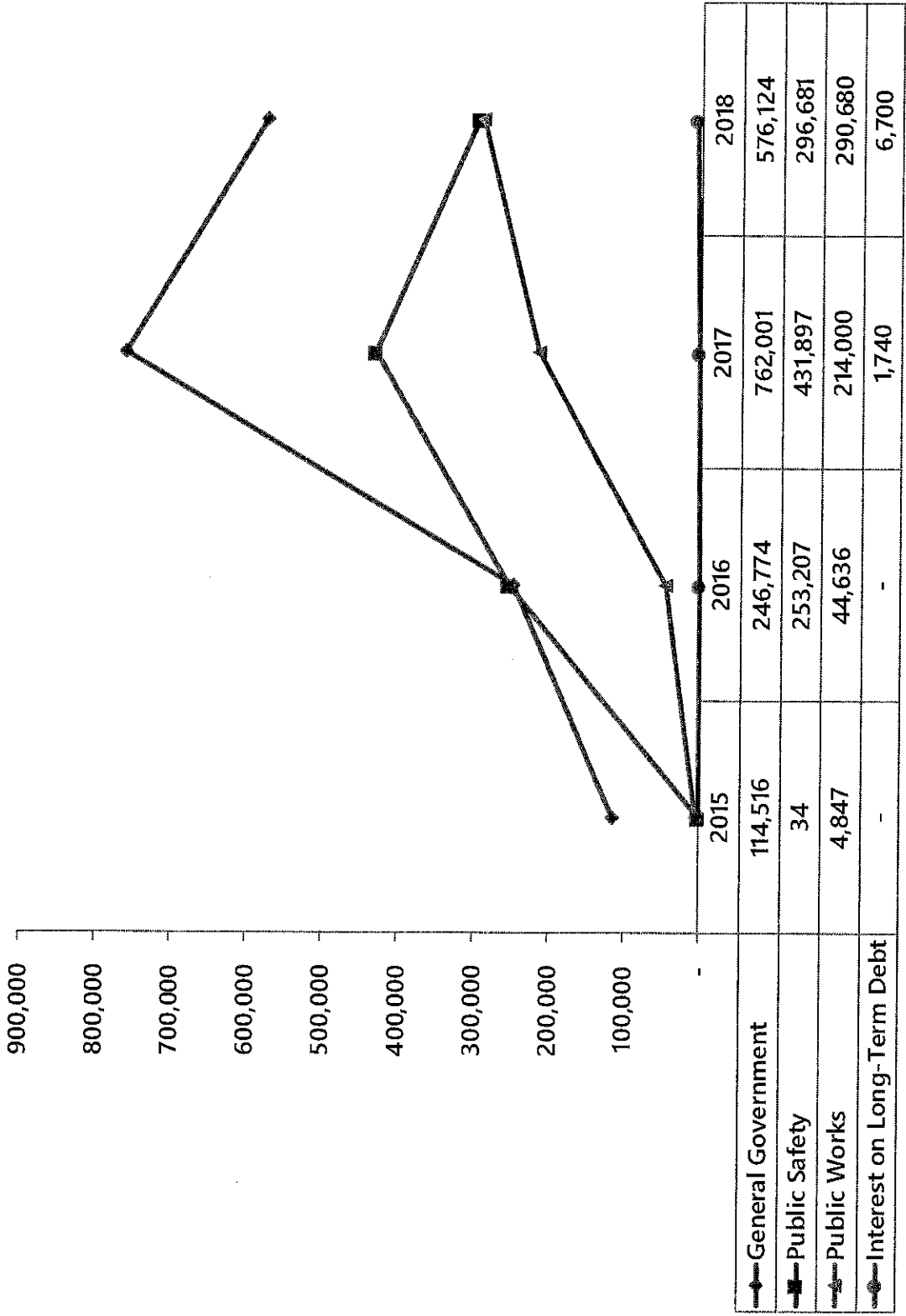
General Revenue - Governmental Activities



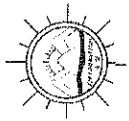
Total General Revenue: 344,262 748,594 968,518 1,096,068



Expenses By Type

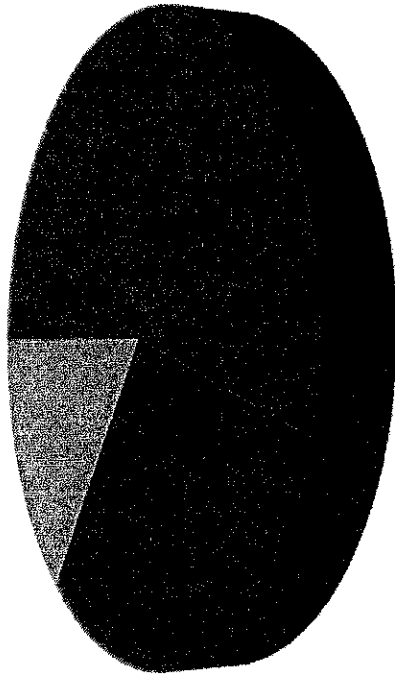


Total Expenses:

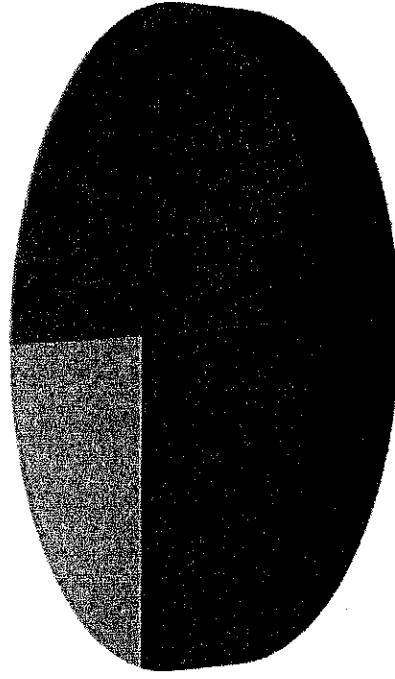


Comparative Expenses by Types

2017

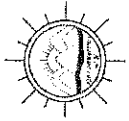


2018



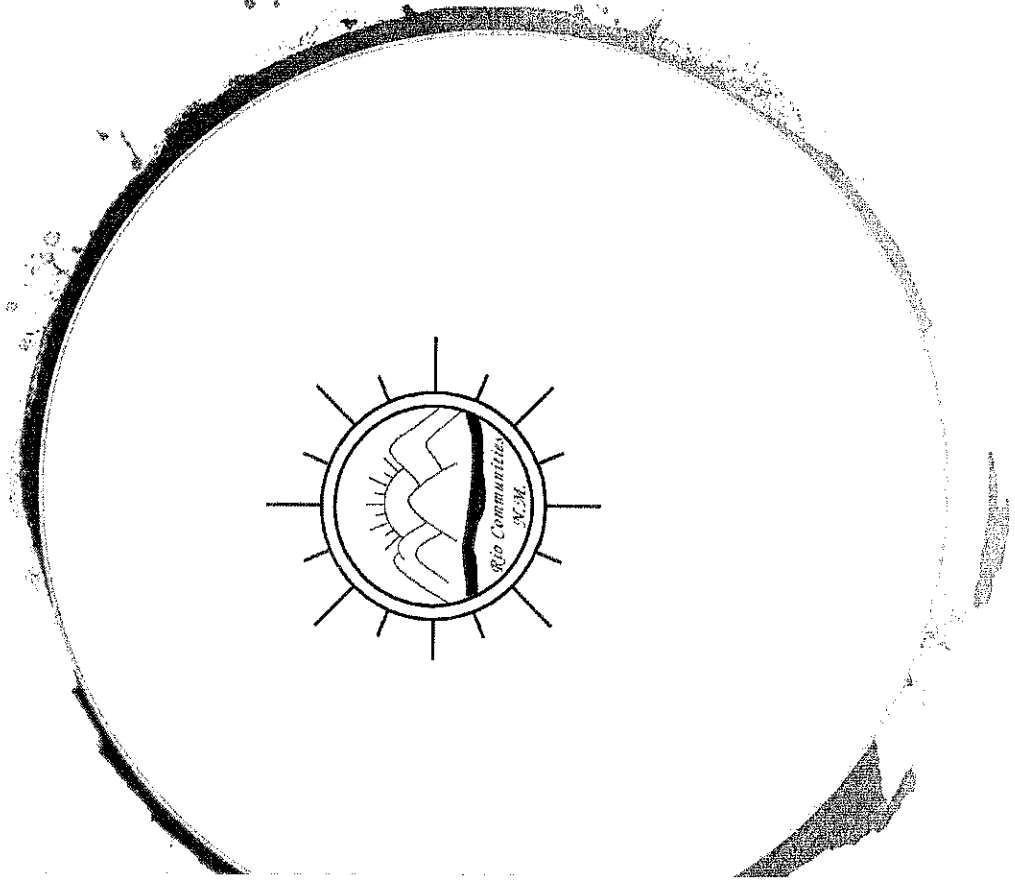
Comparative Expenses by Type: Chart Data:

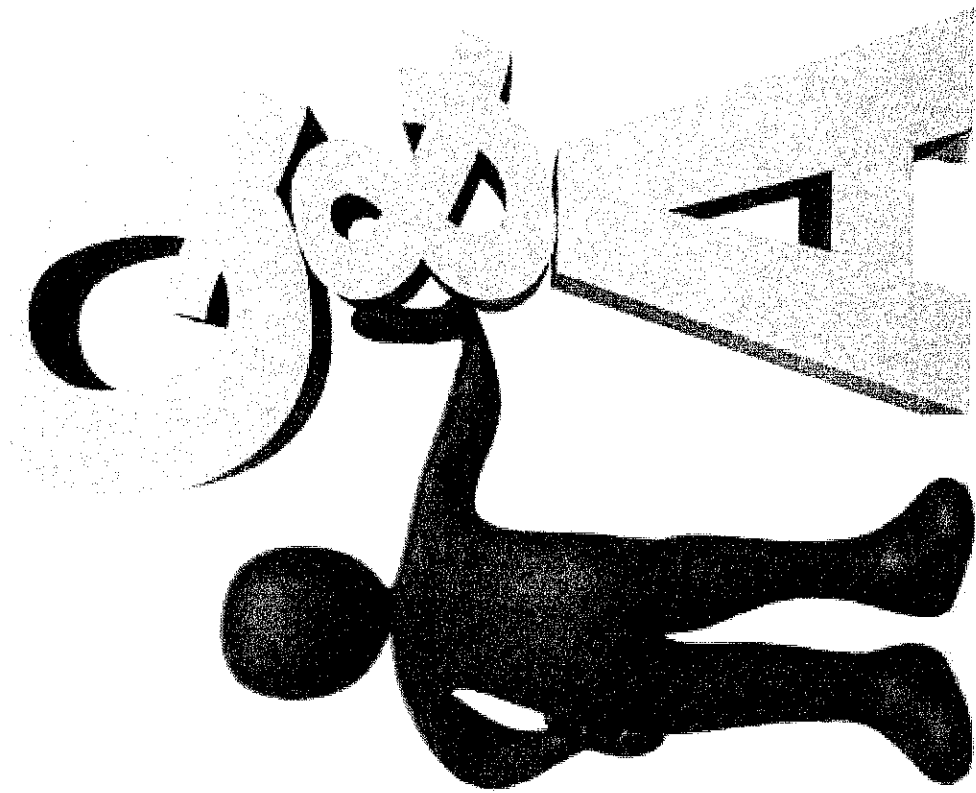
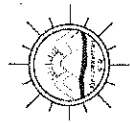
Governmental Activities:	2017		2018		Difference	
	\$	%	\$	%	\$	%
General Government	762,001	54.1%	576,124	49.2%	(185,877)	-24.4%
Public Safety	431,897	30.6%	296,681	25.4%	(135,216)	-31.3%
Public Works	214,000	15.2%	290,680	24.8%	76,680	35.8%
Interest on Long-Term Debt	1,740	0.1%	6,700	0.6%	4,960	285.1%
Total Primary Government	1,409,638	100.0%	1,170,185	100.0%	(239,453)	-17.0%

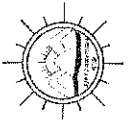


Wrap Up

- Ensure You Receive the Adjusting Journal Entries and Final Trial Balance
- Number of Hard Copies (8) Requested of Audit Report







On Call Throughout The Year

Farley H. Vener
President & Managing Shareholder

(505) 883-8788 (o)

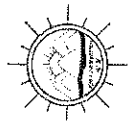
(505) 385-4899 (c)

FVener@HL-cpas.com

Hinkle + Landers, PC

404 Brunn School Rd.
Bldg. B
Santa Fe
NM 87505

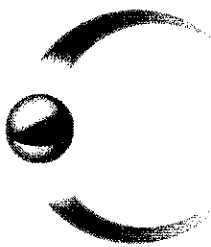
2500 9th Street NW
Albuquerque NM 87102



We appreciate all the
support we received
from Finance and
Management!



THANK YOU



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

CITY OF RIO COMMUNITIES

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2018

draft

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
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For the Year Ended June 30, 2018**

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Official Roster
For the Year Ended June 30, 2018**

Mayor and Council Members

Mark Gwinn	Mayor
Margaret Gutjahr	Councilor
Arturo Sais	Councilor
Joshua Ramsell	Councilor
William Brown	Councilor

Administrative Officials

Robert Skerry	City Manager
Elizabeth Adair	Municipal Clerk
Celina Benavidez	Treasurer, CPO

draft



INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson,
New Mexico State Auditor,
Mark Gwinn, Mayor and
the City Council of
City of Rio Communities

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of the City of Rio Communities (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City of Rio Communities (the City) as of June 30, 2018, the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements and the budgetary comparisons. The other schedules, listed as "other supplementary information" in the table of contents, required by 2.2.2. NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules, listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were 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 other schedules, listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of the City'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 City's internal control over financial reporting and compliance.

Hinkle + Landers, PC
Albuquerque, New Mexico
December 13, 2018

draft

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

As management of the City of Rio Communities, we offer the readers of the City of Rio Communities financial statements this narrative overview and analysis of the financial activities of the City of Rio Communities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Rio Communities and additional information provided.

Financial Highlights

- The assets of the City of Rio Communities exceeded its liabilities at the close of the most recent fiscal year by \$10,128,235 (*net position*). Of this amount, \$1,015,006 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$290,955.
- As of the close of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$2,985,742 an increase of \$419,373 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,008,011, a decrease of \$706,529 over fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rio Communities' basic financial statements. The City of Rio Communities' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Rio Communities' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Rio Communities' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Rio Communities is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rio Communities that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rio Communities include general government, public safety, public works, and culture and recreation. The City does not currently have any business type activities.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rio Communities, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rio Communities can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Rio Communities maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, which is considered to be a major fund. Data from the other thirty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rio Communities adopts an annual appropriated budget for its general fund and all other governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. In addition, the individual financial statement of the remaining governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found on pages 12 thru 20 of this report.

Proprietary funds. The City of Rio Communities has no proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 thru 32 of this report.

Other Information. The Schedule of Joint Powers Agreements can be found on page 33.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rio Communities, assets exceeded liabilities by \$10,128,235 at the close of the most recent fiscal year.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

The largest portion of the City of Rio Communities' net position (71 percent) reflect its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Rio Communities uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Rio Communities' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Rio Communities
Net Position**

	Governmental Activities	
	June 30, 2018	June 30, 2017
Current and other assets	\$ 2,935,735	2,574,680
Capital assets, net of accumulated depreciation	7,367,336	7,548,277
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	10,353,071	10,117,957
Long-term liabilities outstanding	219,345	267,895
Other Liabilities	5,748	12,782
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	\$ 225,093	280,677
Net position	\$ 10,127,978	9,837,280

An additional portion of the City of Rio Communities' net position of \$1,957,868 (19 per cent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,015,006 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rio Communities is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

There was a net decrease of \$175,911 in capital assets reported. The majority of this decrease resulted from the purchase of equipment and the adjustment of on-going building and infrastructure construction in progress decreased by depreciation of the City's assets.

Governmental activities. Governmental activities increased the City of Rio Communities' net position by \$137,415. Key elements of this increase are as follows:

**City of Rio Communities
Comparison of Key Elements**

	Governmental Activities	
	June 30, 2018	June 30, 2017
Revenues		
Taxes	\$ 1,053,476	944,641
Intergovernmental	304,815	578,535
Charges for services	13,920	16,079
Interest	252	165
Other	29,048	7,643
Total revenue	1,460,883	1,547,053
Expenses		
General government	576,121	762,001
Public safety	296,681	431,897
Public works	290,680	214,000
Culture and recreation	-	-
Health and welfare	-	-
Interest	6,700	1,740
Total expenses	1,170,185	1,409,638
Transfers	-	-
Change in net position	\$ 290,698	137,415

- The total expenses for governmental activities decreased by \$239,700, while revenues decreased by \$86,160 due mainly to decreased operating grants.
- The gross receipts tax revenue increased \$41,597.

Financial Analysis of the Government's Funds

As noted earlier, the City of Rio Communities uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Rio Communities' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rio Communities' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

As of the end of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$2,965,879 an increase of \$419,373 in comparison with the prior year. Approximately 34 per cent of this total amount, \$1,008,011 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Of the remainder, \$1,957,868 is non-spendable as it is for inventory and prepaid expenses, restricted and committed expenses.

The general fund is the chief operating fund of the City of Rio Communities. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,088,021.

The fund balance of the City of Rio Communities' general fund decreased by \$706,529 during the current fiscal year.

Proprietary funds. The City of Rio Communities has no proprietary funds.

General Fund Budgetary Highlights

There were no major differences between the original budget and the final amended budget.

Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found on page 14. Actual general fund expenditures were \$830,406 less than the final budget amount (favorable variance).

Capital Asset and Debt Administration

Capital assets. The City of Rio Communities' amount invested in capital assets for its governmental and business type activities as of June 30, 2018, amounts to \$7,367,366 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, computers, equipment, furniture and fixtures, vehicles, and infrastructure.

**City of Rio Communities
Capital Assets**

	Governmental Activities	
	June 30, 2018	June 30, 2017
Land	\$ 137,500	137,500
Buildings and improvements	1,442,649	1,377,469
Equipment and vehicles	664,070	634,730
Infrastructure	6,427,070	6,237,733
Net capital assets	\$ 8,671,289	8,387,432

Additional information on the City of Rio Communities' capital assets can be found in Note 6 on page 30 of this report.

Long-term debt. During the 2017 fiscal year the City acquired a loan from the New Mexico Finance Authority for \$261,488 for emergency vehicles. The current balance on the loan is \$211,975.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Economic Factors and Next Year's Budget

City of Rio Communities is located in Valencia County. Valencia County, like the rest of urban New Mexico, has a strong and balanced economy. Employment in the area has been stable for the past three years.

City of Rio Communities receives approximately 36 per cent of its annual operating budget for general fund from gross receipts taxes.

Request for Information

This financial report is designed to provide a general overview of the City of Rio Communities' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Rio Communities, 360 Rio Communities Blvd., Rio Communities, New Mexico 87002.

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF NET POSITION
As of June 30, 2018**

Assets	<u>Governmental Activities</u>
Current assets	
Cash and cash equivalents	\$ 2,880,398
Receivables (net of allowance for uncollectibles)	<u>105,336</u>
Total current assets	<u>2,985,734</u>
Noncurrent assets	
Capital assets not being depreciated	137,500
Capital assets being depreciated, net	<u>7,229,836</u>
Total noncurrent assets	<u>7,367,336</u>
Total assets	<u>\$ 10,353,070</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 1,566
Accrued payroll liabilities	3,520
Accrued interest	661
Compensated absences	7,370
Current portion of long-term debt	<u>51,585</u>
Total current liabilities	<u>64,702</u>
Noncurrent liabilities	
Long term debt less current portion	<u>160,390</u>
Total noncurrent liabilities	<u>160,390</u>
Total liabilities	<u>225,092</u>
Net position	
Net investment in capital assets	7,155,361
Restricted for other purposes	1,961,047
Unrestricted	<u>1,011,570</u>
Total net position	<u>10,127,978</u>
Total liabilities and net position	<u>\$ 10,353,070</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 576,124	-	75,000	-	(501,124)
Public safety	296,681	-	289,815	-	(6,866)
Public works	290,680	-	-	-	(290,680)
Culture and recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Interest on long-term debt	6,700	-	-	-	(6,700)
Total governmental activities	\$ 1,170,185	-	\$ 364,815	-	(805,370)
General Revenues and Special Items					
Taxes					
Gross receipts					\$ 373,014
Property					231,915
Franchise					146,414
State shared					302,133
Lodgers					-
Licenses and permits					8,264
Fines and forfeitures					5,058
Investment income					222
Miscellaneous					29,048
Total general revenues					1,096,068
Change in net position					290,698
Net position, beginning of year					9,837,280
Net position, end of year					\$ 10,127,978

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2018

	Major Funds										
	(101)	(201)	(202)	(206)	(209)	(211)	(216)	(300)	(403)		
	General Fund	Corrections Fund	Environmental GRT Fund	EMS Fund	Fire Protection Fund	Law Enforcement Fund	Municipal Street Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds	
Assets											
Cash and investments	\$ 1,006,620	53,623	14,315	80,885	353,100	1,956	327,854	1,041,821	224	2,880,398	
Accounts receivable (net of allowance for uncollectibles)	99,287	-	2,306	-	-	-	3,743	-	-	105,336	
Total assets	\$ 1,105,907	\$ 53,623	16,621	80,885	353,100	1,956	331,597	1,041,821	224	2,985,734	
Liabilities, Deferred Inflows of Resources, and Fund Balances											
Liabilities											
Accounts payable	-	-	-	-	1,500	-	-	-	-	1,566	
Accrued liabilities	3,520	-	-	-	-	-	-	-	661	4,181	
Total liabilities	3,520	-	-	-	1,500	-	-	-	661	5,747	
Deferred inflows of resources											
Unavailable revenue-property taxes	14,365	-	-	-	-	-	-	-	-	14,365	
Fund balances											
Restricted	83,010	53,623	16,621	80,885	-	1,956	331,597	1,041,821	-	1,961,047	
Unassigned	1,005,012	-	-	-	351,534	-	-	-	(437)	1,004,575	
Total fund balances	1,088,022	53,623	16,621	80,885	353,534	1,956	331,597	1,041,821	(437)	2,965,622	
Total liabilities, deferred inflows of resources and fund balances	\$ 1,105,907	\$ 53,623	16,621	80,885	353,100	1,956	331,597	1,041,821	224	2,985,734	

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balance governmental funds	2,965,622
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore are not reported in the funds.	7,367,336
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:	(211,975)
Notes payable	(7,370)
Compensated absences	14,365
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position.	-
Rounding	-
Net position governmental funds	10,127,978

STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Major Funds							Total Governmental Funds	
	(101) General Fund	(203) Corrections Fund	(202) Environmental GRT Fund	(206) EMS Fund	(209) Fire Protection Fund	(211) Law Enforcement Fund	(216) Municipal Street Fund		(300) Capital Projects Fund
Revenues									
Taxes:									
Gross receipts	361,637	-	11,377	-	-	-	-	-	-
Property	232,941	-	-	-	-	-	-	-	-
Franchise	146,414	-	-	-	-	-	-	-	-
State shared	161,950	-	-	97,439	-	-	42,744	-	-
Lodger \$	-	-	-	-	-	-	4,199	-	-
Licenses and permits	4,065	-	-	-	-	-	-	-	-
Intergovernmental:									
Federal grants	-	-	-	7,000	26,285	20,000	-	-	-
State grants	75,000	-	-	-	-	-	-	-	-
Legislative appropriations	-	-	-	-	-	-	-	-	-
Changes for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	3,462	1,596	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	222
Total revenues	28,926	1,596	11,377	104,489	26,887	20,000	46,943	222	222
1,014,395									1,461,909
Expenditures									
Current:									
General government	395,565	423	-	-	-	-	-	-	-
Public safety	24,686	-	-	24,167	229,530	18,305	-	-	-
Public works	16,206	-	7,922	-	-	-	266,552	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	49,513
Interest	-	-	-	-	-	-	-	-	6,700
Capital outlay	-	-	-	-	-	-	-	-	3,231
Total expenditures	436,457	423	7,922	24,167	229,530	18,305	266,552	3,231	56,213
Excess (deficiency) of revenues over (under) expenditures	577,938	1,173	3,455	80,322	33,357	1,695	(219,609)	(3,231)	(55,991)
80,322									419,116
Other financing sources (uses)									
Loan proceeds	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-
Transfers in	216,494	21,000	-	216,200	-	-	375,000	675,000	55,554
Transfers out	(1,500,901)	-	-	(58,287)	-	-	-	-	-
Total other financing sources (uses)	(1,284,407)	21,000	-	(58,287)	-	-	375,000	675,000	55,554
Net change in fund balances	(706,599)	22,173	3,455	80,322	191,271	1,695	155,391	671,769	(437)
Fund balance, beginning of year	1,704,551	2,460	13,166	537	160,263	261	176,206	370,052	2,546,306
Fund balances, end of year	1,088,022	53,623	16,621	80,885	351,534	1,956	331,597	1,041,821	2,095,622

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balance - Governmental Funds	419,116
Amounts reported in the statement of activity are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of assets is allocated as its estimated useful life as depreciation expense.	
Capital outlay included as additions in capital assets	283,857
Depreciation expense	(459,798)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net change in compensated absences	(963)
The issuance of long-term debt 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.	
Loan repayment	49,513
Some items reported in the statement of activities do not require the use of current financial resources	
Change in net position - Statement of Activities	(1,027)
	290,698

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ 317,500	317,500	361,637	44,137
Property	227,241	227,241	232,941	5,700
Franchise	180,400	180,400	146,414	(33,986)
State-shared	170,250	170,250	161,950	(8,300)
Lodger's	-	-	-	-
Licenses and permits	-	-	4,065	4,065
Intergovernmental:				
State grants	-	-	75,000	75,000
Charges for services	4,050	4,050	-	(4,050)
Fines and forfeitures	4,224	4,224	3,462	(762)
Interest on investments	5,800	5,800	-	(5,800)
Miscellaneous	7,440	7,440	28,926	21,486
Total revenues	<u>916,905</u>	<u>916,905</u>	<u>1,014,395</u>	<u>97,490</u>
Expenditures				
Current				
General government	558,681	558,681	395,565	163,116
Public safety	167,442	167,442	24,686	142,756
Public works	206,000	206,000	16,206	189,794
Culture and recreation	40,000	40,000	-	40,000
Health and welfare	24,000	24,000	-	24,000
Total expenditures	<u>996,123</u>	<u>996,123</u>	<u>436,457</u>	<u>559,666</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(79,218)	(79,218)	577,938	657,156
Other financing sources (uses)				
Transfers in	997,800	997,800	216,494	(781,306)
Transfers (out)	(811,000)	(1,583,780)	(1,500,961)	82,819
Total other financing sources (uses)	<u>186,800</u>	<u>(585,980)</u>	<u>(1,284,467)</u>	<u>(698,487)</u>
Net change in fund balance	<u>\$ 107,582</u>	<u>(665,198)</u>	<u>(706,529)</u>	
Prior year cash balance	<u>\$ 1,677,082</u>	<u>1,677,082</u>	<u>1,677,082</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ (706,529)
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ (706,529)</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CORRECTIONS FUND (201)
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Fines and forfeitures	1,132	1,132	1,596	464
Total revenues	<u>1,132</u>	<u>1,132</u>	<u>1,596</u>	<u>464</u>
Expenditures				
Current				
General government	21,420	21,420	423	20,997
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	<u>21,420</u>	<u>21,420</u>	<u>423</u>	<u>20,997</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(20,288)	(20,288)	1,173	21,461
Other financing sources (uses)				
Transfers in	21,000	21,000	21,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Net change in fund balance	<u>712</u>	<u>712</u>	<u>22,173</u>	
Prior year cash balance	\$ <u>31,450</u>	<u>31,450</u>	<u>31,450</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 22,173
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ 22,173</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ENVIRONMENTAL GROSS RECEIPTS TAX FUND (202)
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ 9,000	9,000	11,377	2,377
Total revenues	9,000	9,000	11,377	2,377
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	9,000	9,000	7,922	1,078
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	9,000	9,000	7,922	1,078
Revenues over/(under) expenditures before other financing sources/(uses)		-	3,455	3,455
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	3,455	
Prior year cash balance	\$ 12,449	12,449	12,449	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 3,455
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ 3,455

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EMERGENCY MEDICAL SERVICES FUND (206)
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
State-shared	76,350	76,350	97,439	21,089
Licenses and permits	-	-	-	-
Intergovernmental:				
State grants	7,890	7,890	7,000	(890)
Miscellaneous	-	-	50	50
Total revenues	<u>84,240</u>	<u>84,240</u>	<u>104,489</u>	<u>20,249</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	82,240	82,240	24,161	58,079
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	<u>82,240</u>	<u>82,240</u>	<u>24,161</u>	<u>58,079</u>
Revenues over/(under) expenditures before other financing sources/(uses)	2,000	2,000	80,328	(37,830)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>2,000</u>	<u>2,000</u>	<u>80,328</u>	
Prior year cash balance	\$ <u>557</u>	<u>557</u>	<u>557</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	80,328
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>80,328</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE PROTECTION FUND (209)
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Intergovernmental:				
State grants	250,899	250,899	262,815	11,916
Miscellaneous	-	-	72	72
Total revenues	<u>250,899</u>	<u>250,899</u>	<u>262,887</u>	<u>11,988</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	250,899	250,899	229,529	21,370
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	<u>250,899</u>	<u>250,899</u>	<u>229,529</u>	<u>21,370</u>
Revenues over/(under) expenditures before other financing sources/ (uses)	-	-	33,358	33,358
Other financing sources (uses)				
Transfers in	142,338	142,338	216,200	73,862
Transfers (out)	(58,287)	(58,287)	(58,287)	-
Total other financing sources (uses)	<u>84,051</u>	<u>84,051</u>	<u>157,913</u>	<u>73,862</u>
Net change in fund balance	<u>\$ 84,051</u>	<u>84,051</u>	<u>191,271</u>	
Prior year cash balance	<u>\$ 162,680</u>	<u>162,680</u>	<u>162,680</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 191,271
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ 191,271</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LAW ENFORCEMENT PROTECTION FUND (211)
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Intergovernmental:				
State grants	20,000	20,000	20,000	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Current				
General government			-	-
Public safety	20,000	20,000	18,305	1,695
Public works			-	-
Culture and recreation			-	-
Health and welfare			-	-
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>18,305</u>	<u>1,695</u>
Revenues over/(under) expenditures before other financing sources/(uses)	-	-	1,695	(1,695)
Other financing sources (uses)				
Transfers in			-	-
Transfers (out)			-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	<u>1,695</u>	
Prior year cash balance	\$ <u>261</u>	<u>261</u>	<u>261</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ <u>1,695</u>
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ <u>1,695</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MUNICIPAL STREET FUND (216)
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
State-shared	29,500	29,500	42,744	13,244
Licenses and permits	6,000	6,000	4,199	(1,801)
Total revenues	<u>\$ 35,500</u>	<u>35,500</u>	<u>46,943</u>	<u>11,443</u>
Expenditures				
Current				
General government				
Public safety				
Public works	335,500	335,500	266,552	68,948
Culture and recreation				
Health and welfare				
Total expenditures	<u>335,500</u>	<u>335,500</u>	<u>266,552</u>	<u>68,948</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(300,000)	(300,000)	(219,609)	80,391
Other financing sources (uses)				
Transfers in	300,000	300,000	375,000	75,000
Transfers (out)				
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>375,000</u>	<u>75,000</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>155,391</u>	
Prior year cash balance	<u>\$ 173,273</u>	<u>173,273</u>	<u>173,273</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 155,391
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ 155,391</u>

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

1) Summary of Significant Accounting Policies

Reporting Entity

The City of Rio Communities (City) was incorporated in 2013 under the provisions of the Municipal Code of the State of New Mexico (Sec. 14-2-1 et-Seq. 1971 Comp). The City operates under a mayor-council form of government. There are four council members plus the mayor, all of whom are elected at large.

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP.

The basis (but not the only) criteria 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, the City has no component units.

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 non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 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 revenue are reported instead as *general revenue*.

The financial transactions of the City are reported in individual funds in the fund financial

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

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

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 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 revenue in the year for which they are levied. Sales, franchise, lodgers, gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. 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 revenue to be available if 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.

Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, deferred inflows, resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The City has no business-type activities and has eight major governmental funds. The City reports the following major governmental funds:

- *General Fund*—This is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Corrections Fund (Special Revenue Fund) (NMSA, 33-2-25)*—This fund account for the proceeds of the State of New Mexico approved assessments for the municipal court, for which expenditures are designated for the care of prisoners.
- *Environmental Gross Receipts Tax Fund (Special Revenue Fund) (NMSA, 7-19D-1 to 7-19D-11)*—This fund accounts 0.25% gross receipts tax funding used for the acquisition,

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities.

- *Emergency Medical Services Fund (Special Revenue Fund) (NMSA, 24-10A-1 to 24-10A-9)*-This fund accounts for annual grant from the Emergency Medical Service Fund Act. Funding is made available to municipalities in proportion to their needs, for use in the establishment and enhancement of local emergency medical services that assist in reducing injury and loss of life.
- *Fire Protection Fund (Special Revenue Fund) (NMSA, 59-15-1 to 59-15-17)*—This fund accounts state fire marshal funds used for the operation of the fire department.
- *Law Enforcement Protection Fund (Special Revenue Fund) (NMSA, 29-13-1 to 29-13-9)*- This fund accounts for state grants from the State of New Mexico which are to be utilized to enhance the efficiency and effectiveness of law enforcement protection.
- *Municipal Street Fund (Special Revenue Fund) (NMSA, 7-24A-1 to 7-24A-21)*—This fund accounts for gas tax and road cut ordinance funds used for repairing and maintaining the City's streets.
- *Capital Projects Fund (Capital Projects Fund)*—This fund accounts for state capital outlay funds used to purchase and repair City buildings.
- *Debt Service Fund (Debt Service Fund)*—This fund accounts for funds required to pay off the City's loans.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in this order as needed.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and investments with a maturity date within three months of the date acquired by the City.

Capital Assets

Capital assets, which include property, plant, equipment, and improvements, are reported in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure, consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are recorded at historical cost.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

For depreciation purposes, the City has identified the following classes of assets and estimated useful lives. The straight-line method is used for depreciation.

<u>Categories</u>	<u>Estimated Useful Lives</u>
Buildings and building improvements	40 years
Utility systems	33 years
Infrastructure	30 years
Machinery and equipment	5-10 years
Computer (hardware and software)	15 years
Furniture and fixtures	15 years
Vehicles	5-10 years
Library books	5 years

Receivables

Accounts receivable at June 30, 2018, consist of receivables from grantors and various taxes and other receivables.

Compensated Absences

Compensated absences are accrued in the statement of net position. As of June 30, 2018 accrued vacation was \$7,370.

The maximum number of accrued annual paid time off hours, which may be carried forward to any new calendar year is 100 – 160 hours depending on the employee's years of service.

Upon termination, separation or dismissal, the employee shall be paid all paid time off at the pay rate last held.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with U.S. GAAP, an accrual for compensated absences is reflected in the accompanying financial statements. Accumulation of vacation leave has been recorded as a liability in the basic financial statements.

Long-term Obligations

The long-term obligations are reported in the government-wide financial statements as long-term debt if it is due in more than one year. In the fund level financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items or inventories; or (b) are legally or contractually required to be maintained intact.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

The spendable portion of fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned:

- **Restricted Fund Balance**
This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance**
These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use restriction by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- **Assigned Fund Balance**
This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.
- **Unassigned Fund Balance**
This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The New Mexico Department of Finance and Administration (DFA) requires that 1/12 of the 2018 budgeted expenditures in the general fund be restricted as subsequent-year expenditures to provide adequate cash reserves. The City follows this requirement in order to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. The City has restricted \$83,010 for minimum fund balance at June 30, 2018.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors or regulations of other governments. When both restricted and unrestricted net position is available for expenses, unrestricted funds are applied first.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no deferred outflows of resources during fiscal year.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The City has the following deferred inflows of resources during the fiscal year 2018 on the fund financials: \$14,365 related to property tax revenue that was not available to the District in 60 days after year end.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Governing Body adopts a proposed operating budget for the fiscal year commencing July 1. The operating budgets include proposed expenditures and the means of financing them based on previous years history. The budget is legally enacted through passage of an ordinance.
- 2) The City Finance Officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July was amended during the fiscal year in a legally permissible manner.
- 3) Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
- 4) Encumbrances are not reported in the budgets or financial statements.
- 5) The level of classifications detail in which expenditures or expenses may not legally exceed appropriations for each budget in fund total, which may include budgeted cash, and investments as reserves. Appropriations usually lapse at year-end unless intended for multi-year use.
- 6) The City adopts budgets for each individual fund.
- 7) DFA render their final budget approval no later than September 1 of the budget year in question.
- 8) During the course of the fiscal year, the City prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

- 9) *Budgetary Compliance* – Budgetary control is required to be maintained at the individual fund level.
- 10) Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.
- 11) *Budget Amendments* – Budget increases and decreases can only be accomplished by Council resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.
- 12) *Budgetary Basis* – State law prescribes that the City’s budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.
- 13) The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.
- 14) 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 accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 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.

2) Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are issued. The City recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The City’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before financial statements are available to be issued. The City has evaluated subsequent events through December 13, 2018, which is the date the financial statements were available to be issued.

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

3) Cash and Cash Equivalents and Investments

The City invests its funds in accordance with state statutes which require that financial institutions pledge collateral consisting of approved federal or state securities whose market value is equal to at least 50% of the deposits in excess of FDIC insurance coverage. In accordance with state statutes, the City may have deposits only in financial institutions, federal direct obligations, or the New Mexico State Treasurer's Local Government Investment Pool.

	<u>Type</u>	<u>Per Bank 6/30/2017</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Per Books 6/30/2017</u>
My Bank					
General	Checking	\$ 2,425,480	301	(8,239)	2,417,542
Reserve	Checking	80,010	-	-	80,010
Fire Department	Checking	387,639	-	(5,193)	382,446
Payroll	Checking	100	-	-	100
		<u>2,893,229</u>	<u>301</u>	<u>(13,432)</u>	<u>2,880,098</u>
NMFA	Debt service reserves	224	-	-	224
Total cash in banks		<u>\$ 2,893,453</u>	<u>301</u>	<u>(13,432)</u>	<u>2,880,322</u>
Plus:					
Petty cash					<u>76</u>
Total cash and cash equivalents per books					<u>\$ 2,880,398</u>

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

Pledged Collateral

	<u>My Bank</u>	<u>NMFA</u>
Deposits	\$ 2,893,229	224
Less FDIC Coverage	(250,000)	N/A
Total uninsured public funds	<u>2,643,229</u>	-
Collateral pledged:		
My Bank		
RUIDOSO SD #3-A-BLD, 4.00% 08/01/28 CUSIP 781338LC0	341,054	-
SANTA ROSA SD 8 NM, 2.00% 05/15/19 CUSIP 802751DR5	85,103	-
S KNOX SCH BLDG COI, 4.00% 07/15/30 CUSIP 838603BA5	110,342	-
STAFFORD SD-B-REF T, 4.00% 08/15/29 CUSIP 852519JK4	<u>835,800</u>	-
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	1,372,299	-
Collateral requirement (50% of uninsured funds)	1,321,615	-
Pledged collateral	<u>1,372,299</u>	-
Over (under) collateralized	<u>50,684</u>	<u>-</u>

Investments

As of June 30, 2018, the City had no investments.

5) Receivables

Receivables as of June 30, 2018, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Environ- mental</u>		<u>Muni- cipal</u>		<u>Capital</u>	
	<u>General</u>	<u>Gross Receipts</u>	<u>Fire</u>	<u>Streets</u>	<u>Projects</u>	<u>Total</u>
Receivables:						
Gross receipts taxes	\$ 80,286	2,306	-	-	-	82,592
Property taxes	3,593	-	-	-	-	3,593
Franchise taxes	15,408	-	-	-	-	15,408
State shared	-	-	-	3,743	-	3,743
Fines and fees	-	-	-	-	-	-
Gross receivables	<u>99,287</u>	<u>2,306</u>	<u>-</u>	<u>3,743</u>	<u>-</u>	<u>105,336</u>
Less: Allowance for uncollectibles	-	-	-	-	-	-
Total receivables, net	<u>\$ 99,287</u>	<u>2,306</u>	<u>-</u>	<u>3,743</u>	<u>-</u>	<u>105,336</u>

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

The receivables of the general, non-major, debt service, and capital project funds are composed primarily of earned taxes and federal and state revenues or reimbursements. These receivables are primarily from governmental agencies and an allowance for doubtful accounts is maintained only for those receivables deemed to be uncollectible.

6) Capital Assets

Primary government capital asset activity for the year ended June 30, 2018 is as follows:

	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjust- ments</u>	<u>2018</u>
Capital assets not being depreciated:					
Land	\$ 137,500	-	-	-	137,500
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>137,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,500</u>
Capital assets being depreciated:					
Buildings and building improvements	1,377,469	65,180	-	-	1,442,649
Equipment and machinery	213,417	29,340	-	-	242,757
Vehicles	421,313	-	-	-	421,313
Infrastructure	6,237,730	189,387	-	-	6,427,070
Total capital assets being depreciated	<u>8,249,932</u>	<u>283,857</u>	<u>-</u>	<u>-</u>	<u>8,533,789</u>
Less accumulated depreciation for					
Buildings and building improvements	(111,828)	(57,386)	-	-	(169,214)
Equipment and machinery	(35,860)	(26,206)	-	-	(62,066)
Vehicles	(72,693)	(64,319)	-	-	(137,012)
Infrastructure	(623,774)	(311,887)	-	-	(935,661)
Total accumulated depreciation	<u>(844,155)</u>	<u>(459,798)</u>	<u>-</u>	<u>-</u>	<u>(1,303,953)</u>
Total capital assets being depreciated, net	<u>7,405,777</u>	<u>(175,941)</u>	<u>-</u>	<u>-</u>	<u>7,229,836</u>
Capital assets, net	<u>\$ 7,543,277</u>	<u>(175,941)</u>	<u>-</u>	<u>-</u>	<u>7,367,336</u>

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

Depreciation expense for the year ended June 30, 2018 was charged to the following functions:

Governmental Activities:	
General government	\$ 57,386
Public safety	90,525
Public works	311,887
Total	\$ 459,798

7) Interfund Receivables, Payables and Transfers

The outstanding balances between funds results mainly from the time lags between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund receivables and payables at June 30, 2018.

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions. All transfers made during the year were considered routine and were consistent with the general characteristics of the City's transfers. The following schedule details the net interfund transfers made by the City during the year ended

	Transfers In	Transfers Out
General Fund	\$ 216,494	1,500,961
Corrections Fund	21,000	-
Fire Protection Fund	216,200	58,287
Municipal Street Fund	375,000	-
Capital Projects Fund	675,000	-
Debt Service Fund	55,554	-
Total	\$ 1,559,248	1,559,248

8) Long-term Debt

Long-term debt activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Notes payable	\$ 261,488	-	(49,513)	211,975	51,585
Compensated absences	6,407	8,177	(7,214)	7,370	7,370
Total	\$ 267,895	8,177	(56,727)	219,345	58,955

During the fiscal year ended June 30, 2018, the City entered into a loan agreement with the New Mexico Finance Authority in the amount of \$261,488 to finance emergency vehicles. The term of the loan in five years and carries a 1.660% - 2.000% variable interest rate.

Payments on the loan begin May 1, 2018. The outstanding principal balance at June 30, 2018 was \$211,975.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2018**

Minimum principal payments are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total Debt Service
2019	\$	51,585	3,968	55,553
2020		52,488	3,065	55,553
2021		53,438	2,115	55,553
2022		54,464	1,089	55,553
2023		-	-	-
Total	\$	<u>211,975</u>	<u>10,237</u>	<u>222,212</u>

The interest expense for the year ended June 30, 2018 was \$6,700.

Debt service payments for the NMFA loan and compensated absences will be liquidated from the general fund.

9) Retirement Plans

The City pays its employees seven percent (7%) added to their salaries for their retirement plans. Currently the City is not enrolled in PERA.

10) Risk Management

The City of Rio Communities is insured through the New Mexico Self Insurer's Fund. Coverage provided includes all-peril on buildings and contents; crime coverage; general liability; civil rights and personal injury; motor vehicle and fleet property damage and liability; and statutory workman's compensation coverage.

11) Commitments and Contingencies

During the year ended June 30, 2018 the City entered into several contracts for construction of City Hall and Fire Department improvements. Below is a summary list of the improvements.

<u>Project</u>	<u>Contract Type</u>	<u>Contract Price</u>	<u>Amount Expended 6/30/2018</u>	<u>% of Completion</u>
City Hall Improvements	Construction	\$ 30,200	-	0%
City Hall Improvements	Construction	12,500	-	0%
Fire Supression Hood	Professional Service	28,000	-	0%

12) Deficit Fund Balance

The City had a deficit fund balance in its Debt Service Fund of \$437. Management intends to transfer sufficient funds from General Fund to cover any deficits.

City of Rio Communities
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the year ending June 30, 2018

Joint Powers Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed by City during current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
1 Continuation of Services	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Animal Control Services E-911	7/1/2016 - 6/30/2018	\$ 70,000.00	\$ 25,131.86	City of Rio Communities Valencia County	City of Rio Communities Valencia County
2 Corrections	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Housing and care of prison detainees.	7/1/2014 - Ongoing	\$ 20,000.00	-	City of Rio Communities Valencia County	City of Rio Communities Valencia County
3 VRECC	City of Rio Communities VRECC	City of Rio Communities VRECC	Provide enhanced 911 and dispatch services	7/1/2015 - 6/30/2018	\$ 23,687.00	\$ 23,687.00	City of Rio Communities VRECC	City of Rio Communities VRECC
4 Law Enforcement Protection	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Designation of municipal law enforcement officer to City of Rio Communities	7/1/2016 - 6/30/2018	\$ 125,000.00	-	City of Rio Communities Valencia County	City of Rio Communities Valencia County
5 Emergency Medical Services	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Installation of necessary medical direction on medical waste disposal	7/1/2016 - 6/30/2018	\$ 4,575.00 & \$805.00	\$ 4,575 & \$765.79	City of Rio Communities Valencia County	City of Rio Communities Valencia County
6 Roadside Installation	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Installation of new Road Signs	7/7/2016 - 6/30/2018	\$ -	\$ 4,041.63	City of Rio Communities Valencia County	City of Rio Communities Valencia County
7 Mutual Wildfire Suppression	City of Rio Communities EMNRD	City of Rio Communities EMNRD	Mutual Wildfire Suppression, mutual assistance, cooperation and use of federal excess property	1/1/2016 - Ongoing	\$ -	\$ -	City of Rio Communities EMNRD	City of Rio Communities EMNRD
8 Countywide EMS Tax Transference (46%)(EMS GRT VCR)	City of Rio Communities Countywide (MOA)	City of Rio Communities Countywide (MOA)	Emergency Communications & Medical Behavioral Services Tax	7/1/2016 - Ongoing	\$ -	\$ 105,729.00	City of Rio Communities Countywide (MOA)	City of Rio Communities Countywide (MOA)



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

Mr. Wayne Johnson,
New Mexico State Auditor
Mark Gwinn, Mayor,
City Council of the
City of Rio Communities

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, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of the City of Rio Communities (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider a material weakness.

December 13, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2018-001.

City of Rio Communities, New Mexico Response to Findings

City of Rio Communities, New Mexico response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Rio Communities, New Mexico response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle + Landers, P.C.
Albuquerque, NM
December 13, 2018

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Prior / Current Year Findings</u>	<u>Type of Finding*</u>
PRIOR YEAR			
2017-001	Lack of Controls Over Financial Reporting	Corrected	A
2017-002	Budget Controls	Corrected	D
CURRENT YEAR			
2018-001	Timely Deposits	Current	D

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

2018-001—TIMELY BANK DEPOSITS

Type of Finding: D

Statement of Condition

During our test of cash receipts, the following was noted:

1. The City's cash receipts were not deposited into a banking institution in a timely manner.

Out of 25 randomly selected samples, eight deposits were deposited untimely as follows:

- Cash receipts received October 26 were deposited November 6
- Cash receipts received January 22 were deposited January 25
- Cash receipts received January 30 were deposited February 14
- Cash receipts received March 5 were deposited March 19
- Cash receipts received March 20 were deposited April 11
- Cash receipts received April 30 were deposited May 23
- Cash receipts received May 10 were deposited May 23
- Cash receipts received June 18 were deposited June 20

Criteria

The New Mexico Public Money Act requires that public money be deposited in a timely manner normally the next business day after receipt of the money. The City's policy is to deposit cash receipts not later than the next business day.

Effect

Timely deposits ensure controls over the safekeeping of the City's deposits are being followed.

Cause

The City is not depositing money in a timely manner.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018**

Recommendation

We recommended that the City its controls over cash deposits to ensure monies are deposited by the close of the next business day.

View of Responsible Officials

Corrective Action Plan Timeline:

Designation of Employee Position Responsible for Meeting Deadline:

draft

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Exit Conference
For the Year Ended June 30, 2018**

PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2018, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.

EXIT CONFERENCE

The contents of the report for City of Rio Communities were discussed on December 13, 2018. The following individuals were in attendance.

City of Rio Communities Officials

Mark Gwinn
Celina Benavidez

Mayor
Treasurer

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA
Steve Nolan, CPA

President
Audit Manager

draft