



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

CITY OF RIO COMMUNITIES

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**OFFICIAL ROSTER
As of June 30, 2014**

Councilors

Member	Title
Mary Lee Serna	Councilor
Cyndi Sluder	Councilor
Frank Stasi	Councilor
Kaylon Northcutt	Councilor

Administration

Name	Title
Mark Gwinn	Mayor
Gordon Warrick	Treasurer
Marilyn Winters	Municipal Clerk

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Mayor and City Councilors of
City of Rio Communities
Rio Communities, NM
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the mayor and city councilors and management of City of Rio Communities (City) and the Office of the State Auditor, solely to assist you in complying with the requirements of Tier 4 of the Audit Act – Section 12-6-3 B(4) NMSA 1978 and the criteria specified therein for the year ended June 30, 2014. The City's management is responsible for its accounting records and the subject matter. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Cash

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

Bank reconciliations for the months of September 2013 through March 2014 were performed on April 13, 2014. For the months of September 2013 through February 2014, the reconciliations were not performed timely. See Finding 2014-002 on Schedule of Findings and Responses. Bank reconciliations for the months of March 2014 through June 2014 appeared to be performed timely. All bank and investments statements for the fiscal year were determined to be complete and on-hand.

- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

Four months of the fiscal year were haphazardly selected to test bank reconciliations for accuracy without exception. Ending balances were traced to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division without exception.

- c) Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Per review of bank and investment statements provided, there are no uninsured deposits as of June 30, 2014.

2. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Per discussion with Marilyn Winters, Municipal Clerk for City of Rio Communities, there are no capital assets as of June 30, 2014. There is possibly annexed land which represents the streets, but to date there has been no valuation and/or documentation related to this infrastructure. Due to the lack of capital assets, the City has not performed a yearly inventory.

3. Revenue

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

An analytical review was performed and actual revenue was compared to budgeted revenue for the year and for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of 5 deposits from the total population of deposits was haphazardly selected and tested according to the attributes listed without exception.

- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this review work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

A sample of 5 deposits from the total population of deposits was haphazardly selected and tested according to the attributes listed without exception.

4. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled checks, as appropriate.

Ten disbursements were randomly selected and tested according to the attributes listed. For one disbursement, the amount of the check was \$225 and exceeded the vendor invoice(s) combined amounts of \$150. Per the Treasurer, the overpayment of \$75 will be requested back from the vendor. See Finding 2014-003 on Schedule of Findings and Responses.

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

There is no evidence that the disbursements were properly authorized or approved on the supporting documentation. In addition, the City of Rio Communities does not have formal written procedures. See Finding 2014-004 on Schedule of Findings and Responses.

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Expenditures tested were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

5. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.

Per review of transactions, there are not journal entries recorded.

- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

City of Rio Communities does not have formal written procedures. See Finding 2014-004 on Schedule of Findings and Responses.

6. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGA.

Per review of the minutes of the city resolutions and correspondence, the original budget and all subsequent budget adjustments were approved by the local public body's governing body and DFA-LGA.

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

Per review of transactions, total actual expenditures did not exceed the final budget at the legal level of budgetary control.

- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual, or modified accrual basis) for each individual fund.

See Schedule of Revenues and Expenditures – Budget (Non-GAAP Budget Basis) and Actual – General Fund

Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

See findings on Schedule of Findings and Responses.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement of Revenues and Expenditures – Budget (Non-GAAP Budget Basis) and Actual – General Fund. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matter might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the councilors and management of the City of Rio Communities, the New Mexico Department of Finance and Administration – Local Division, the New Mexico State Legislature and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.
Albuquerque, NM
September 16, 2014

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES				
Gross Receipts - Local Option	\$ 22,249	36,374	104,170	67,796
Licenses and Permits	-	-	2,230	2,230
Total operating revenues	<u>22,249</u>	<u>36,374</u>	<u>106,400</u>	<u>70,026</u>
OPERATING EXPENSES				
Executive-Legislative	-	1,800	1,567	233
Elections	-	7,500	4,085	3,415
Finance & Administration	17,800	18,456	8,271	10,185
Economic Development	-	1,200	179	1,021
Total operating expenses	<u>17,800</u>	<u>28,956</u>	<u>14,102</u>	<u>14,854</u>
Operating Income/(Loss)	4,449	7,418	92,298	84,880
NON-OPERATING REVENUES/(EXPENSES)				
Miscellaneous	-	-	2,089	2,089
Total non-operating revenues/(expenses)	<u>-</u>	<u>-</u>	<u>2,089</u>	<u>2,089</u>
Change in net position	\$ 4,449	7,418	94,387	<u>86,969</u>
Designated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
COPY OF THE YEAR-END FINANCIAL REPORT SUBMITTED TO DFA
For the Year Ended June 30, 2014**

MUNICIPALITY: City of Rio Con

DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION

Period Ending: 06/30/2014

SUBMIT TO LOCAL GOVERNMENT DIVISION NO LATER THAN 30 DAYS
AFTER THE CLOSE OF EACH QUARTER.

Prepared By: Treasurer, Gordon V

I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS:

Gordon Warrick 07/23/2014

Signature

Date

YEAR-TO-DATE TRANSACTIONS

Fund #	FUND NAME	BEGINNING CASH BALANCE CURRENT FY (1)	REVENUES TO DATE (2)	TRANSFERS TO DATE (3)	EXPENDITURES TO DATE (4)	ADJUSTMENTS (5)	QTR ENDING CASH BALANCE (1)+(2)-(3)+(4)+(5) (6)	INVESTMENTS (7)	CASH + INVESTMENTS (8)	REQUIRED RESERVES (9)	AVAILABLE CASH (8) - (9)
101	GENERAL FUND (GF)	\$0	108,488	0	14,102	0	\$94,386	0	\$94,386	1,175	\$93,211
201	CORRECTION	\$0	0	0	0	0	\$0	0	\$0		\$0
202	ENVIRONMENTAL GRT	\$0	0	0	0	0	\$0	0	\$0		\$0
206	EMS	\$0	0	0	0	0	\$0	0	\$0		\$0
207	ENHANCED 911	\$0	0	0	0	0	\$0	0	\$0		\$0
209	FIRE PROTECTION FUND	\$0	0	0	0	0	\$0	0	\$0		\$0
211	LEPF	\$0	0	0	0	0	\$0	0	\$0		\$0
214	LODGERS' TAX	\$0	0	0	0	0	\$0	0	\$0		\$0
216	MUNICIPAL STREET	\$0	0	0	0	0	\$0	0	\$0		\$0
217	RECREATION	\$0	0	0	0	0	\$0	0	\$0		\$0
218	INTERGOVERNMENTAL GRANT	\$0	0	0	0	0	\$0	0	\$0		\$0
219	SENIOR CITIZEN	\$0	0	0	0	0	\$0	0	\$0		\$0
223	DWI PROGRAM	\$0	0	0	0	0	\$0	0	\$0		\$0
299	OTHER	\$0	0	0	0	0	\$0	0	\$0		\$0
300	CAPITAL PROJECT FUNDS	\$0	0	0	0	0	\$0	0	\$0		\$0
401	G. O. BONDS	\$0	0	0	0	0	\$0	0	\$0		\$0
402	REVENUE BONDS	\$0	0	0	0	0	\$0	0	\$0		\$0
403	DEBT SERVICE OTHER	\$0	0	0	0	0	\$0	0	\$0		\$0
500	ENTERPRISE FUNDS										
	Water Fund	\$0	0	0	0	0	\$0	0	\$0		\$0
	Solid Waste	\$0	0	0	0	0	\$0	0	\$0		\$0
	Waste Water	\$0	0	0	0	0	\$0	0	\$0		\$0
	Airport	\$0	0	0	0	0	\$0	0	\$0		\$0
	Ambulance	\$0	0	0	0	0	\$0	0	\$0		\$0
	Cemetery	\$0	0	0	0	0	\$0	0	\$0		\$0
	Housing	\$0	0	0	0	0	\$0	0	\$0		\$0
	Parking	\$0	0	0	0	0	\$0	0	\$0		\$0
	Other Enterprise (enter fund	\$0	0	0	0	0	\$0	0	\$0		\$0
	Other Enterprise (enter fund	\$0	0	0	0	0	\$0	0	\$0		\$0
	Other Enterprise (enter fund	\$0	0	0	0	0	\$0	0	\$0		\$0
	Other Enterprise (enter fund	\$0	0	0	0	0	\$0	0	\$0		\$0
600	INTERNAL SERVICE FUNDS	\$0	0	0	0	0	\$0	0	\$0		\$0
700	TRUST AND AGENCY FUNDS	\$0	0	0	0	0	\$0	0	\$0		\$0
GRAND TOTAL		\$0	\$108,488	\$0	\$14,102	\$0	\$94,386	\$0	\$94,386	\$1,175	\$93,211

FORM MODIFIED 12/09/08

LAST UPDATE: 7/23/14 11:33 AM

GENERAL FUND - MUNICIPALITY

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES	BUDGETED AMOUNTS			ACTUALS Y-T-D	ENCUMBRAN CES Y-T-D	Variance With Adjusted Budget Positive (Negative)	
	Approved Budget	Budget Adjustments	Adjusted Budget			\$	%
REVENUES							
Taxes:							
Property Tax - Current Year	\$0	\$0	\$0	\$0		\$0	n/a
Property Tax - Delinquent	\$0	\$0	\$0	\$0		\$0	n/a
Property Tax - Penalty & Interest	\$0	\$0	\$0	\$0		\$0	n/a
Oil and Gas - Equipment	\$0	\$0	\$0	\$0		\$0	n/a
Oil and Gas - Production	\$0	\$0	\$0	\$0		\$0	n/a
Franchise Fees	\$0	\$0	\$0	\$0		\$0	n/a
Gross receipts - Local Option	\$36,374	\$0	\$36,374	\$104,170		\$67,796	286.38%
Gross Receipts - Infrastructure	\$0	\$0	\$0	\$0		\$0	n/a
Gross Receipts - Environment	\$0	\$0	\$0	\$0		\$0	n/a
Gross Receipts - Other Dedication	\$0	\$0	\$0	\$0		\$0	n/a
Intergovernmental -State Shared:							
Gross receipts	\$0	\$0	\$0	\$0		\$0	n/a
Cigarette Tax	\$0	\$0	\$0	\$0		\$0	n/a
Gas Tax [1 cent]	\$0	\$0	\$0	\$0		\$0	n/a
Gas Tax [2 cent]	\$0	\$0	\$0	\$0		\$0	n/a
Motor Vehicle	\$0	\$0	\$0	\$0		\$0	n/a
Grants - Federal	\$0	\$0	\$0	\$0		\$0	n/a
Grants - State	\$0	\$0	\$0	\$0		\$0	n/a
Grants - Local	\$0	\$0	\$0	\$0		\$0	n/a
Legislative Appropriations	\$0	\$0	\$0	\$0		\$0	n/a
Small Cities Assistance	\$0	\$0	\$0	\$0		\$0	n/a
Licenses and Permits	\$0	\$0	\$0	\$2,230		\$2,230	n/a
Charges for Services	\$0	\$0	\$0	\$0		\$0	n/a
Fines and Forfeits	\$0	\$0	\$0	\$0		\$0	n/a
Interest on Investments	\$0	\$0	\$0	\$0		\$0	n/a
Miscellaneous	\$0	\$0	\$0	\$2,089		\$2,089	n/a
TOTAL GENERAL FUND REVENUES	\$36,374	\$0	\$36,374	\$108,488		\$72,114	298.26%
EXPENDITURES							
Executive-Legislative	\$1,800	\$0	\$1,800	\$1,567	\$0	\$233	87.06%
Judicial	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Elections	\$7,500	\$0	\$7,500	\$4,085	\$0	\$3,415	54.47%
Finance & Administration	\$18,456	\$0	\$18,456	\$8,271	\$0	\$10,185	44.81%
Public Safety	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Highways & Streets	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Senior Citizens	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Sanitation	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Health and Welfare	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Culture and Recreation	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Economic Development & Housing	\$1,200	\$0	\$1,200	\$179	\$0	\$1,021	14.90%
Airport	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Other - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$0	n/a
TOTAL GENERAL FUND EXPENDITURES	\$28,956	\$0	\$28,956	\$14,102	\$0	\$14,854	48.70%
OTHER FINANCING SOURCES							
Transfers In	\$0	\$0	\$0	\$0		\$0	n/a
Transfers (Out)	\$0	\$0	\$0	\$0		\$0	n/a
TOTAL - OTHER FINANCING SOURCES	\$0	\$0	\$0	\$0		\$0	n/a
Excess (deficiency) of revenues over expenditures				\$94,386			

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014**

SUMMARY OF FINDINGS AND RESPONSES

PRIOR YEAR – NONE

CURRENT YEAR –

Reference FY-Finding #	Findings	Status of Current and Prior Year Findings	Financial Statement Finding	Other Matter/ State Compliance Finding	Material Weakness	Significant Deficiency
2014-001	IPA Recommendation Form Not Submitted Timely	Current	No	Yes	No	No
2014-002	Bank Reconciliations Not Performed Timely.	Current	No	No	No	Yes
2014-003	Controls Over Disbursements	Current	Yes	No	No	Yes
2014-004	Lack of Written Policies and Procedures	Current	No	No	No	Yes

2014-001—IPA Recommendation Form Not Submitted Timely

Type of Finding: Other Matter/State Compliance

Statement of Condition

The City did not submit the completed IPA Recommendation Form to the Office of the State Auditor until after the required due date.

Criteria

Section 2.2.2.8 (G)(6)(c)(vi) NMAC states, the local public body shall submit the required Recommendation Form for Tiered System Local Public Bodies and the completed signed agreed upon procedures contract to the State Auditor by July 1.

Cause

This is the first year that the City is incorporated.

Effect

Submitting the IPA Recommendation Form untimely may increase the potential of a late agreed-upon procedures report and ultimately untimely financial information.

Recommendation

The City should ensure the IPA Recommendation Form is completed, signed and delivered to the Office of the State Auditor prior to the July 1 due date.

Management Response

The City of Rio Communities officially became a city on July 1, 2013 (the beginning of our first fiscal year). A bank account was opened by the Mayor and Mayor Pro-Tem in October of 2013. We did not have an office until sometime in March of 2014. We did not have a computer or computer software

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014**

operable until April 2014. I volunteered to help the city get started with an accounting system, but was not familiar with New Mexico State accounting/reporting/auditing requirements, QuickBooks accounting software, or Excel spreadsheets required for reporting. These facts will be relevant to all four findings. I sent a review engagement letter to you, but was not aware that an IPA recommendation form was required.

2014-002 – Bank Reconciliations Not Performed Timely

Type of Finding: Significant Deficiency

Statement of Condition

During review of bank reconciliations, it was determined that six out of ten bank reconciliations performed did not appear to be performed timely.

Criteria

Bank reconciliations should be performed timely to determine if transactions are posted to the general ledger correctly and agree to transactions at the depository institution.

Effect

There is an increased possibility of loss or theft of cash receipts and an increased risk of misstatement due to fraud or error.

Cause

The City did not appear to have sufficient internal controls established to ensure bank reconciliations were performed timely.

Recommendation

The City should implement sufficient internal controls to ensure bank reconciliations are performed timely.

Management Response

No accounting system or bank statements were available to me until March of 2014. Previous bank reconciliations were done retroactively.

2014-003 – Controls over Disbursements

Type of Finding: Financial Statement/Significant Deficiency

Statement of Condition

During testing of transactions, the following control deficiency was noted related to disbursement testing for the 10 disbursements tested:

- For one disbursement transaction totaling \$225, the vendor invoices totaled \$150, resulting in an overpayment of \$75. Upon notification of the discrepancy by the auditor, the City requested the overpayment to be refunded from the vendor.

Criteria

Disbursements should be properly supported by original invoices in the amount of the disbursement.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014**

Cause

The City did not appear to maintain adequate internal controls over disbursements to include proper supporting documentation.

Effect

There is an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

The City should maintain sufficient documentation to support the disbursement.

Management Response

Disbursement controls were implemented after April of 2014.

2014-004 – Lack of Written Policies and Procedures

Type of Finding: Significant Deficiency

Statement of Condition

During testing of transactions it was noted that the City did not appear to have written policies and procedures for financial transactions.

Criteria

The City should have written policies and procedures for financial transactions.

Cause

The City did not appear to have formal written policies and procedures for financial transactions.

Effect

There is an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

The City should develop and maintain written policies and procedures for financial transactions.

Management Response

Policies and procedures have been implemented as needed and are still in process.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
EXIT CONFERENCE
For the Year Ended June 30, 2014**

An exit conference was held in a closed session on October 9, 2014, at the City's offices in Rio Communities, NM. In attendance were the following:

Representing the City:

Mark Gwinn
Marilyn Winters
Gordon Warrick

Mayor
Municipal Clerk
Treasurer

Representing Hinkle + Landers, PC:

Misty L. Crawford, CPA, CGMA, CFE

Audit Manager