



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

CITY OF RIO COMMUNITIES

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

For the Year Ended June 30, 2016

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Table of Contents
For the Year Ended June 30, 2016**

	Page
FINANCIAL SECTION	
Official Roster	ii
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
BASIC FINANCIAL STATEMENTS:	
Government-Wide Statements:	
Statement of net position	10
Statement of activities	11
Fund Financial Statements:	
Governmental Funds	
Balance sheet – governmental funds	12
Statement of revenues, expenditures, and changes in fund balances – governmental funds and changes in fund balances of governmental funds to the statement of activities	13
Statement of revenues, expenditures, and changes in fund balance budget and actual - General Fund	14
Statement of revenues, expenditures, and changes in fund balance budget and actual - Corrections Fund	15
Statement of revenues, expenditures, and changes in fund balance budget and actual - Environmental Gross Receipts Tax Fund	16
Statement of revenues, expenditures, and changes in fund balance budget and actual - Emergency Medical Services Fund	17
Statement of revenues, expenditures, and changes in fund balance budget and actual - Fire Protection Fund	18
Statement of revenues, expenditures, and changes in fund balance budget and actual - Law Enforcement Fund	19
Statement of revenues, expenditures, and changes in fund balance budget and actual - Municipal Street Fund	20
Notes to Financial Statements	21
SUPPLEMENTAL INFORMATION	
Statement of revenues, expenditures, and changes in fund balance budget and actual - Capital Projects Fund	33
OTHER SUPPLEMENTAL INFORMATION (AUDITED)	
Schedule of Joint Powers Agreements	34
OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)	
Schedule of Vendor Information	35
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	36
Schedule of findings and responses	38
EXIT CONFERENCE	39

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Official Roster
For the Year Ended June 30, 2016**

Mayor and Council Members

Mark Gwinn	Mayor
Robert Chavez	Councilor
Margaret Gutjahr	Councilor
Mary Lee Serna	Councilor
Frank Stasi	Councilor

Administrative Officials

Robert Skerry	City Manager
Elizabeth Adair	Municipal Clerk
Marilyn Winters	Treasurer



INDEPENDENT AUDITOR’S REPORT

Mr. Timothy Keller,
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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents. We also have audited the budgetary comparison of the major capital project fund, presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended, June 30, 2016 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, 2016, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparison for the major capital project fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the 2016 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

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 supplemental 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 supplemental information (audited)" 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 supplemental information (audited)" 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.

The schedule of vendor information, listed as "other supplemental information (unaudited)" which is required by the State Auditor Rule, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 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.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive script.

Hinkle + Landers, PC
Albuquerque, New Mexico
December 8, 2016

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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, 2016. 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 \$9,699,865 (*net position*). Of this amount, \$1,679,117(*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 \$8,073,461. The majority of this increase is due to the additions and adjustments to capital asset.
- As of the close of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$9,699,865 an increase of \$8,072,915 in comparison with the prior year that includes change an increase in net position of \$885,633 and restatement of \$7,187,828 for capital asset additions and adjustments.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,687,008.
- The City of Rio Communities' has no outstanding debt.

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

STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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.

The government-wide financial statements can be found on pages 11 and 12 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 Capital Projects Budget Schedule, Schedule of Joint Powers Agreements and Schedule of Vendor Information can be found on pages 33 to 35.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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 \$9,699,865 at the close of the most recent fiscal year.

The largest portion of the City of Rio Communities' net position (79 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, 2016	June 30, 2015
Current and other assets	\$	2,136,694	1,630,750
Capital assets, net of accumulated depreciation		7,660,222	-
Deferred outflows of resources		-	-
Total assets and deferred outflows or resources		9,796,916	1,630,750
Long-term liabilities outstanding		-	-
Other Liabilities		97,051	4,347
Deferred inflows of resources		-	-
Total liabilities and deferred inflows of resources		\$ 97,051	4,347
Net position	\$	9,699,865	1,626,403

An additional portion of the City of Rio Communities' net position of \$360,526 (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,679,117 may be used to meet the government's ongoing obligations to citizens and creditors.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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.

There was a net increase of \$7,660,222 in capital assets reported. The majority of this increase resulted from the purchase of vehicles and equipment and the adjustment of on-going building and infrastructure construction in progress.

Governmental activities. Governmental activities increased the City of Rio Communities' net position by \$408,130. Key elements of this increase are as follows:

- The total expenses for governmental activities increased by \$425,219, while revenues decreased \$186,346 due mainly to decreased operating grants.
- The gross receipts tax revenue increased \$28,021.

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

	Governmental Activities	
	June 30, 2016	June 30, 2015
Revenues		
Taxes	\$ 527,945	271,153
Intergovernmental	681,656	1,272,333
Charges for services	70,391	10,419
Other	150,258	62,691
Total revenue	1,430,250	1,616,596
Expenses		
General government	352,434	116,500
Public safety	162,564	34
Public works	29,619	2,864
Culture and recreation	-	-
Health and welfare	-	-
Total expenses	544,617	119,398
Transfers	-	-
Change in net position	\$ 885,633	1,497,198

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

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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.

As of the end of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$2,034,534 an increase of \$408,130 in comparison with the prior year. Approximately 82 percent of this total amount, \$1,674,008 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Of the remainder, \$360,526 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 \$1,674,008 and represents 46 percent of total general fund expenditures.

The fund balance of the City of Rio Communities' general fund increased by \$61,187 during the current fiscal year.

Proprietary funds. The City of Rio Communities' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

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 18. Actual general fund expenditures were \$413,121 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, 2016, amounts to \$7,660,222 (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,	June 30,
		2016	2015
Land	\$	137,500	-
Buildings and improvements		1,377,469	-
Equipment and vehicles		321,148	-
Infrastructure		6,237,733	-
Net capital assets	\$	8,073,850	-

Additional information on the City of Rio Communities' capital assets can be found in Note 6 on pages 30-31 of this report.

Long-term debt. At the end of the current fiscal year, the City of Rio Communities had no long-term debt.

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.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

City of Rio Communities receives approximately 23 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.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF NET POSITION
As of June 30, 2016**

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,984,971
Receivables (net of allowance for uncollectibles)	151,643
Prepaid expense	80
Restricted cash	-
Total current assets	<u>2,136,694</u>
Noncurrent assets	
Capital assets not being depreciated	137,500
Capital assets being depreciated, net	<u>7,522,722</u>
Total noncurrent assets	<u>7,660,222</u>
Total assets	<u>\$ 9,796,916</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 90,999
Accrued payroll liabilities	6,052
Compensated absences	-
Current portion of long-term debt	-
Total current liabilities	<u>97,051</u>
Noncurrent liabilities	
Bonds and notes less current portion	<u>-</u>
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>97,051</u>
Net position	
Net investment in capital assets	7,660,222
Restricted for other purposes	360,526
Unrestricted	<u>1,679,117</u>
Total net position	<u>9,699,865</u>
Total liabilities and net position	<u>\$ 9,796,916</u>

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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 246,774	-	185,154	281,481	219,861
Public safety	253,207	-	215,021	-	(38,186)
Culture and recreation	-	-	-	-	-
Public works	44,636	-	-	-	(44,636)
Total governmental activities	\$ 544,617	-	400,175	281,481	137,039

General Revenues and Special Items

Taxes	
Gross receipts	295,249
Property	212,557
Franchise	57,875
State shared	20,139
Lodger's	-
Licenses and permits	12,516
Fines and forfeitures	-
Investment income	-
Miscellaneous	12,758
Capital contributions	137,500
Total general revenues	748,594
Change in net position	885,633
Net position, beginning of year	1,626,404
Restatement	7,187,828
Net position, beginning of year, restated	8,814,232
Net position, end of year	9,699,865

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, 2016

	Major Funds							Total Governmental Funds	
	(101) General Fund	(201) 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
Assets									
Cash and investments	\$ 1,619,540	13,750	9,415	411	26,132	20,000	85,028	210,695	1,984,971
Accounts receivable (net of allowance for uncollectibles)	67,943	-	656	-	-	-	1,563	81,481	151,643
Prepaid expense	80	-	-	-	-	-	-	-	80
Due from other funds	-	-	-	-	-	-	-	-	-
Cash - restricted	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,687,563	13,750	10,071	411	26,132	20,000	86,591	292,176	2,136,694
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities									
Accounts payable	2,394	-	-	-	2,419	-	-	86,186	90,999
Accrued liabilities	6,052	-	-	-	-	-	-	-	6,052
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	8,446	-	-	-	2,419	-	-	86,186	97,051
Deferred inflows of resources									
Unavailable revenue-property taxes	5,109	-	-	-	-	-	-	-	5,109
Fund balances									
Restricted	-	13,750	10,071	411	23,713	20,000	86,591	205,990	360,526
Unassigned	1,674,008	-	-	-	-	-	-	-	1,674,008
Total fund balances	1,674,008	13,750	10,071	411	23,713	20,000	86,591	205,990	2,034,534
Total liabilities, deferred inflows of resources and fund balances	\$ 1,687,563	13,750	10,071	411	26,132	20,000	86,591	292,176	2,136,694

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

Total fund balance governmental funds	\$	2,034,534
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore are not reported in the funds.		7,660,222
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position.		5,109
Net position governmental funds	\$	9,699,865

**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, 2016**

	Major Funds							Total Governmental Funds
	(101) General Fund	(201) Corrections Fund	(202) Environmental GRT Fund	(206) EMS Fund	(209) Fire Protection Fund	(211) Law Enforcement Fund	(216) Municipal Street Fund	
Revenues								
Taxes:								
Gross receipts	\$ 287,274	-	7,975	-	-	-	-	295,249
Property	207,448	-	-	-	-	-	-	207,448
Franchise	57,875	-	-	-	-	-	-	57,875
State shared	-	-	-	-	-	20,139	-	20,139
Lodger's	-	-	-	-	-	-	-	-
Licenses and permits	3,402	-	-	-	-	9,114	-	12,516
Intergovernmental:								
Federal grants	-	-	-	-	-	-	-	-
State grants	185,154	-	-	20,117	194,904	-	-	400,175
Legislative appropriations	-	-	-	-	-	-	281,481	281,481
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Miscellaneous	10,255	-	-	-	2,503	-	-	12,758
Total revenues	751,408	-	7,975	20,117	197,407	-	29,253	1,287,641
Expenditures								
Current:								
General government	200,912	-	-	-	-	-	-	200,912
Public safety	59,691	-	-	19,706	173,810	-	-	253,207
Public works	15,018	-	2,511	-	-	27,107	-	44,636
Culture and recreation	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	137,500	-	-	-	-	-	-	137,500
Total expenditures	413,121	-	2,511	19,706	173,810	-	27,107	880,756
Excess (deficiency) of revenues over (under) expenditures	338,287	-	5,464	411	23,597	-	2,146	406,885
Other financing sources (uses)								
Capital contributions	137,500	-	-	-	-	-	-	137,500
Transfers in	(414,600)	13,750	-	-	-	20,000	-	(370,850)
Transfers (out)	(277,100)	13,750	-	-	-	75,850	-	(235,500)
Total other financing sources (uses)	61,887	13,750	5,464	411	23,597	20,000	-	137,500
Net change in fund balances	1,612,821	-	4,607	-	116	-	265	1,628,404
Fund balances, beginning of year	1,674,008	13,750	10,071	411	23,713	20,000	86,591	2,034,534
Fund balances, end of year	3,287,649	13,750	14,678	411	23,829	20,000	87,856	3,362,938

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

Net change in fund balance - Governmental Funds	\$ 406,885
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.	496,481
Capital outlay included as additions in capital assets	(24,087)
Depreciation expense	
Some items reported in the statement of activities do not require the use of current financial resources	5,109
Change in net position - Statement of Activities	\$ 885,633

**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, 2016**

	<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	\$ 221,000	221,000	287,274	66,274
Property	120,000	120,000	207,448	87,448
Franchise	50,000	50,000	57,875	7,875
State-shared	-	-	-	-
Licenses and permits	1,500	1,500	3,402	1,902
State grants	150,000	150,000	185,154	35,154
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	10,255	10,255
Total revenues	<u>\$ 542,500</u>	<u>542,500</u>	<u>751,408</u>	<u>208,908</u>
Expenditures				
Current				
General government	226,685	226,685	200,912	25,773
Public safety	43,900	43,900	59,691	(15,791)
Culture and recreation	-	-	-	-
Public works	44,516	44,516	15,018	29,498
Capital outlay	-	-	137,500	(137,500)
Total expenditures	<u>315,101</u>	<u>315,101</u>	<u>413,121</u>	<u>(98,020)</u>
Revenues over/(under) expenditures before other financing sources/(uses)	227,399	227,399	338,287	110,888
Other financing sources (uses)				
Capital contributions	-	-	137,500	(137,500)
Transfers in	-	-	-	-
Transfers (out)	-	-	(414,600)	(414,600)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(277,100)</u>	<u>(552,100)</u>
Net change in fund balance	<u>\$ 227,399</u>	<u>227,399</u>	<u>61,187</u>	
Prior year cash balance	<u>\$ 95,370</u>	<u>95,370</u>	<u>95,370</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 61,187
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ 61,187</u>

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Property	-	-	-	-
Franchise	-	-	-	-
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
State grants	-	-	-	-
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	2,050	2,050	-	(2,050)
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	\$ 2,050	2,050	-	(2,050)
Expenditures				
Current				
General government	13,750	13,750	-	13,750
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	13,750	13,750	-	13,750
Revenues over/(under) expenditures before other financing sources/(uses)	(11,700)	(11,700)	-	11,700
Other financing sources (uses)				
Transfers in	-	-	13,750	13,750
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	13,750	13,750
Net change in fund balance	\$ (11,700)	(11,700)	13,750	13,750
Prior year cash balance	\$ 1,561,854	1,561,854	1,561,854	
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 13,750	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 13,750	

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ 8,000	8,000	7,975	(25)
Property	-	-	-	-
Franchise	-	-	-	-
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
State grants	-	-	-	-
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	\$ 8,000	8,000	7,975	(25)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	3,000	3,000	2,511	489
Capital outlay	-	-	-	-
Total expenditures	3,000	3,000	2,511	489
Revenues over/(under) expenditures before other financing sources/(uses)	5,000	5,000	5,464	464
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ 5,000	5,000	5,464	
Prior year cash balance	\$ 1,561,854	1,561,854	1,561,854	
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 5,464	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 5,464	

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, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes				
Gross receipts	\$	-	-	-
Property		-	-	-
Franchise		-	-	-
State-shared		-	-	-
Licenses and permits		-	-	-
State grants	20,659	20,659	20,117	(542)
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	\$	<u>20,659</u>	<u>20,117</u>	<u>(542)</u>
 Expenditures				
Current				
General government		-	-	-
Public safety	28,979	28,979	19,707	9,272
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures		<u>28,979</u>	<u>19,707</u>	<u>9,272</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(8,320)	(8,320)	410	(9,814)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$	<u>(8,320)</u>	<u>410</u>	
Prior year cash balance	\$	<u>1,561,854</u>	<u>1,561,854</u>	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	411
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>411</u>

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Property	-	-	-	-
Franchise	-	-	-	-
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
State grants	195,000	195,000	194,904	(96)
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	2,503	2,503
Total revenues	\$ 195,000	195,000	197,407	2,407
Expenditures				
Current				
General government	-	-	-	-
Public safety	195,000	195,000	173,810	21,190
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	195,000	195,000	173,810	21,190
Revenues over/(under) expenditures before other financing sources/(uses)	-	-	23,597	23,597
Other financing sources (uses)				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	23,597	-
Prior year cash balance	\$ 1,561,854	1,561,854	1,561,854	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 23,597
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ 23,597

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Taxes	\$	-	-	-
Gross receipts		-	-	-
Property		-	-	-
Franchise		-	-	-
State-shared		-	-	-
Licenses and permits		-	-	-
State grants		20,000	20,000	(20,000)
Legislative appropriations		-	-	-
Charges for services		-	-	-
Fines and forfeitures		-	-	-
Interest on investments		-	-	-
Miscellaneous		-	-	-
Total revenues	\$	<u>20,000</u>	<u>20,000</u>	<u>(20,000)</u>
Expenditures				
Current				
General government		-	-	-
Public safety		-	-	-
Culture and recreation		-	-	-
Public works		-	-	-
Capital outlay		-	-	-
Total expenditures		<u>-</u>	<u>-</u>	<u>-</u>
Revenues over/(under) expenditures before other financing sources/(uses)		20,000	20,000	(20,000)
Other financing sources (uses)				
Transfers in		-	20,000	20,000
Transfers (out)		-	-	-
Total other financing sources (uses)		<u>-</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	\$	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Prior year cash balance	\$	1,561,854	1,561,854	1,561,854

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	:	20,000
To adjust applicable revenue accruals and deferrals		-
To adjust applicable expenditure accruals		-
Change in fund balance (GAAP basis)	\$	<u>20,000</u>

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, 2016**

	<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	\$ -	-	-	-
Property	-	-	-	-
Franchise	-	-	-	-
State-shared	18,000	18,000	20,139	2,139
Licenses and permits	1,000	1,000	9,114	8,114
State grants	-	-	-	-
Legislative appropriations	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	\$ 19,000	19,000	29,253	10,253
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	94,850	94,850	27,107	67,743
Capital outlay	-	-	-	-
Total expenditures	94,850	94,850	27,107	67,743
Revenues over/(under) expenditures before other financing sources/(uses)	(75,850)	(75,850)	2,146	77,996
Other financing sources (uses)				
Capital contributions	-	-	-	-
Transfers in	-	-	75,850	75,850
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	75,850	75,850
Net change in fund balance	\$ (75,850)	(75,850)	77,996	
Prior year cash balance	\$ 1,561,854	1,561,854	1,561,854	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 77,996
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ 77,996

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, 2016**

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, 2016

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 three 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, 2016**

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.

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, 2016**

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, 2016, 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, 2016, there was no liability recorded by the City because none of the employees were eligible at that time.

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, 2016**

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.

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 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

STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016

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 no deferred inflows of resources during the fiscal year.

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.
- 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.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016**

- 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 8, 2016, 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, 2016**

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>Wells Fargo Bank</u>	<u>Type</u>	<u>Per Bank 6/30/2016</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Per Books 6/30/2016</u>
General	Checking	\$ 1,937,081	-	(7,880)	1,929,201
Reserve	Checking	28,326	-	-	28,326
Fire Department	Checking	38,208	-	(10,896)	27,312
Payroll	Checking	100	-	-	100
Total cash in banks		<u>\$ 2,003,715</u>	<u>-</u>	<u>(18,776)</u>	<u>1,984,939</u>
Plus:					
Petty cash					32
Total cash and cash equivalents per books					<u>\$ 1,984,971</u>
As reported in the financial statements:					
Cash					\$ 1,984,971
Restricted cash					-
Agency fund					-
Total cash and investments					<u>\$ 1,984,971</u>

Pledged Collateral at Banks

Deposits	<u>My Bank</u>
	\$ 2,003,715
Less FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	1,753,715
Collateral pledged:	
My Bank	
CARLSBAD SD BLDG NM, 4.13% 08/01/17 CUSIP 142735CZ0	852,890
SAN JUAN CNTY ISD, 2.00% 08/17/17 CUSIP 79859JF3	<u>101,438</u>
Pledged collateral held by the pledging bank's trust department or agent, not in the Village's name	954,328
Collateral requirement (50% of uninsured funds)	876,858
Pledged collateral	<u>954,328</u>
Over (under) collateralized	<u>\$ 77,470</u>

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016**

Investments

As of June 30, 2016, the City had no investments.

5) Receivables

Receivables as of June 30, 2016 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Environ- mental Gross Receipts	Fire	Muni- cipal Streets	Capital Projects	Total
Receivables:						
Gross receipts taxes	\$ 50,442	656	-	1,563	-	52,661
Property taxes	8,577	-	-	-	-	8,577
Franchise taxes	8,924	-	-	-	-	8,924
Appropriations	-	-	-	-	81,481	81,481
Fines and fees	-	-	-	-	-	-
Gross receivables	67,943	656	-	1,563	81,481	151,643
Less: Allowance for uncollectibles	-	-	-	-	-	-
Total receivables, net	\$ <u>67,943</u>	<u>656</u>	<u>-</u>	<u>1,563</u>	<u>81,481</u>	<u>151,643</u>

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.

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**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016**

6) Capital Assets

Primary government capital asset activity for the year ended June 30, 2016 is as follows:

	2015	Additions	Deletions	Adjust- ments	2016
Capital assets not being depreciated:					
Land	\$ -	137,500	-	-	137,500
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	-	137,500	-	-	137,500
Capital assets being depreciated:					
Buildings and building improvements	-	301,744	-	1,075,725	1,377,469
Equipment and machinery	-	57,237	-	145,791	203,028
Vehicles	-	-	-	118,120	118,120
Infrastructure	-	-	-	6,237,733	6,237,733
Total capital assets being depreciated	-	358,981	-	7,577,369	7,936,350
Less accumulated depreciation for					
Buildings and building improvements	-	(12,885)	-	(43,029)	(55,914)
Equipment and machinery	-	(11,202)	-	(625)	(11,827)
Vehicles	-	-	-	(34,000)	(34,000)
Infrastructure	-	-	-	(311,887)	(311,887)
Total accumulated depreciation	-	(24,087)	-	(389,541)	(413,628)
Total capital assets being depreciated, net	-	334,894	-	7,187,828	7,522,722
Capital assets, net	\$ -	472,394	-	7,187,828	7,660,222

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016**

Depreciation expense for the year ended June 30, 2016 was charged to the following functions:

Governmental Activities:

General government	\$	12,885
Public safety		11,202
Public works		-
Culture and recreation		-
Total	\$	<u>24,087</u>

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, 2016.

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:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	414,600
Corrections Fund	13,750	-
Law Enforcement Fund	20,000	-
Municipal Street Fund	75,850	-
Capital Projects Fund	305,000	-
Total	<u>\$ 414,600</u>	<u>414,600</u>

8) Long-term Debt

For the year ended June 30, 2016, the City had no outstanding long-term debt.

9) Retirement Plans

No PERA or other benefits are offered the City's employees at this time. The City's employees are encouraged to manage their own private retirement accounts.

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

The City had no commitments or contingencies as of June 30, 2016.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Notes to Financial Statements
For the Year Ended June 30, 2016**

12) Restatement

The City restated \$7,187,828 of prior year net position related to government activities.

The restatement was made for capital assets contributed to the City by Valencia County as a result of the City's incorporation. As a result beginning net position was increased by \$7,187,828.

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND (300)
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ -	-	-	-
Property	-	-	-	-
Franchise	-	-	-	-
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
State grants	-	-	-	-
Legislative appropriations	200,000	200,000	281,481	81,481
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	\$ 200,000	200,000	281,481	81,481
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Capital outlay	505,000	505,000	380,756	124,244
Total expenditures	505,000	505,000	380,756	124,244
Revenues over/(under) expenditures before other financing sources/(uses)	(305,000)	(305,000)	(99,275)	205,725
Other financing sources (uses)				
Transfers in	-	-	305,000	305,000
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	305,000	305,000
Net change in fund balance	\$ (305,000)	(305,000)	205,725	205,725
Prior year cash balance	\$ 1,561,854	1,561,854	1,561,854	

RECONCILIATION FROM BUDGET/ACTUAL TO GAAP

Change in fund balance (Budget Basis)	\$ 205,725
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ 205,725

The accompanying notes are integral to these financial statements.

City of Rio Communities
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the year ending June 30, 2016

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 Animal Control Services	City of Rio Communities City of Belen	City of Rio Communities City of Belen	Animal Control Services	11/3/2014 through Indefinite	\$ 900.00	\$ 373.00	City of Rio Communities City of Belen	City of Rio Communities City of Belen
2 Continuation of Services	City of Rio Communities	City of Rio Communities	Law enforcement services, animal control, Del Rio Community Center., E-911, Dispatch services, fire services	3/18/2015 through 6/30/16	\$ 70,000.00	\$ 27,984.00	City of Rio Communities	City of Rio Communities
3 Detention and confinement of adult persons	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Housing and care of adult persons arrested in Rio Communities	7/22/2014 through Indefinite	\$ 20,000.00	\$ -	City of Rio Communities Valencia County	City of Rio Communities Valencia County
4 Dispatch Services	City of Rio Communities VRECC	City of Rio Communities VRECC	Provide enhanced 911 and dispatch services	7/1/2015 through 6/30/2016	\$ 36,000.00	\$ 31,742.00	City of Rio Communities VRECC	City of Rio Communities VRECC

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
SCHEDULE OF VENDOR INFORMATION**

<i>RFB#/RF P#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
NONE								



**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. Timothy Keller,
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and budgetary comparison of the major capital projects fund of the City presented as supplementary information and have issued our report thereon dated December 8, 2016.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 8, 2016

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Schedule of Findings and Responses
For the Year Ended June 30, 2016**

Reference #	Finding	Status of Prior / Current Year Findings	Type of Finding*
PRIOR YEAR			
2015-001	Lack of Controls over Financial Reporting	Corrected	A
2015-002	Cash Controls and Reconciliations - Lack of Segregation of Duties	Corrected	B
2015-003	Review of Payroll Register	Corrected	B
2015-004	Property and Equipment Inventory	Corrected	A,G
CURRENT YEAR			
	None		

* 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. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

**STATE OF NEW MEXICO
CITY OF RIO COMMUNITIES
Exit Conference
For the Year Ended June 30, 2016**

PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2016, 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 8, 2016. The following individuals were in attendance.

City of Rio Communities Officials

Mark Gwinn
Bob Skerry
Marilyn Winters

Mayor
City Manager
Treasurer

Hinkle + Landers, PC

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

President
Audit Manager