



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

## **CITY OF RIO COMMUNITIES**

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S  
REPORT**

**For the Year Ended June 30, 2019**



**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
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For the Year Ended June 30, 2019**

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**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Official Roster  
For the Year Ended June 30, 2019**

**Mayor and Council Members**

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

**Administrative Officials**

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Leisa Haynes	City Manager
Elizabeth Adair	Municipal Clerk
Vacant	Treasurer, CPO



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**INDEPENDENT AUDITOR'S REPORT**

Mr. Brian Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the City of Rio Communities (the City) as of June 30, 2019, the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Emphasis of Matter*

We draw attention to Note 13 of the financial statements, which describes restatements of beginning net position and certain individual fund balances. Management identified expenses subsequent to the issuance of the prior year financial statements that related to the period ending June 30, 2018. This resulted in a reduction of beginning fund balance of the general fund and net position of governmental activities. Additionally, management elected to further segregate resources related County emergency medical services gross receipts taxes and reimbursements for assistance with wildland protection. This resulted in the restatement of certain individual fund balances. Our opinion is not modified with respect to these matters.

*Required Supplementary Information*

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

*Other Information*

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

The other schedules, listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules, listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 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 12, 2019

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Rio Communities and additional information provided.

**Financial Highlights**

- The assets of the City of Rio Communities exceeded its liabilities at the close of the most recent fiscal year by \$10,930,767 (*net position*). Of this amount, \$1,327,326 (*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 \$927,789.
- As of the close of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$2,469,947 a decrease of \$370,975 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,318,965, an increase of \$438,953 over fiscal year 2018.

**Overview of the Financial Statements**

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

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

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

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

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

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



**STATE OF NEW MEXICO**  
**CITY OF RIO COMMUNITIES**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

**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 25 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 26 thru 39 of this report.

**Other Information.** The Schedule of Joint Powers Agreements can be found on page 40.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rio Communities, assets exceeded liabilities by \$10,930,767 at the close of the most recent fiscal year.

The largest portion of the City of Rio Communities' net position (77 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

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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.

The following table presents a summary of the City of Rio Communities' net position for the fiscal years ending June 30, 2019 and 2018:

		Governmental Activities	
		June 30, 2019	June 30, 2018
Current and other assets	\$	2,572,751	2,985,736
Capital assets, net of accumulated depreciation		8,613,149	7,413,516
Deferred outflows of resources		-	-
Total assets and deferred outflows or resources		11,185,900	10,399,252
Accounts Payable		83,104	1,566
Other Liabilities		64,180	63,136
Long-term liabilities outstanding		107,849	160,390
Deferred inflows of resources		-	-
Total liabilities and deferred inflows of resources	\$	255,133	225,092
Net position	\$	10,930,767	10,174,160

An additional portion of the City of Rio Communities' net position of \$1,150,682 (11 per cent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,327,326 may be used to meet the government's ongoing obligations to citizens and creditors.

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

There was a net increase of \$1,245,813 in capital assets reported. The majority of this increase resulted from renovations and improvements made to the municipal multi-purpose complex and infrastructure road improvements.

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Governmental activities.** Governmental activities increased the City of Rio Communities' net position by \$927,789. Key elements of this increase are as follows:

	Governmental Activities	
	June 30, 2019	June 30, 2018
Revenues		
Taxes	\$ 996,813	1,053,477
Intergovernmental	1,255,093	364,815
Fines and fees	10,197	13,322
Interest	925	222
Other	9,873	29,048
Total revenue	2,272,901	1,460,884
Expenses		
General government	783,707	576,124
Public safety	460,111	296,681
Public works	97,538	290,680
Culture and recreation	-	-
Health and welfare	-	-
Interest	3,756	6,700
Total expenses	1,345,112	1,170,185
Transfers	-	-
Change in net position	\$ 927,789	290,699

- The total expenses for governmental activities increased by \$174,927 while revenues increased by \$812,017 due mainly to increased capital grants and New Mexico small cities assistance.
- The gross receipts tax revenue decreased \$70,995.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Rio Communities' governmental funds reported combined ending fund balances of \$2,469,647 a decrease of \$495,975 in comparison with the prior year. Approximately 53 per cent of this total amount, \$1,318,965 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Of the remainder, \$1,150,682 is restricted.

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

The general fund is the chief operating fund of the City of Rio Communities. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,318,965.

The fund balance of the City of Rio Communities' general fund increased by \$352,142 during the current fiscal year.

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

**General Fund Budgetary Highlights**

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

Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found on page 16. Actual general fund expenditures were \$658,343 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, 2019, amounts to \$8,613,149 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, computers, equipment, furniture and fixtures, vehicles, and infrastructure.

		Governmental Activities	
		June 30, 2019	June 30, 2018
Land	\$	137,500	137,500
Buildings and improvements		2,678,806	1,442,649
Equipment and vehicles		709,821	664,070
Infrastructure		6,848,293	6,427,070
Accumulated Depreciation		<u>(1,761,271)</u>	<u>(1,303,953)</u>
Net capital assets	\$	<u>8,613,149</u>	<u>7,367,336</u>

Additional information on the City of Rio Communities' capital assets can be found in Note 5 on page 35 of this report.

**Long-term debt.** During the 2017 fiscal year the City acquired a loan from the New Mexico Finance Authority for \$261,488 for emergency vehicles. The current balance on the loan is \$160,390.

**STATE OF NEW MEXICO**  
**CITY OF RIO COMMUNITIES**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

**Economic Factors and Next Year's Budget**

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

City of Rio Communities receives approximately 30 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  
For the Year Ended June 30, 2019**

<b>Assets</b>	<u>Governmental Activities</u>
Current assets	
Cash and cash equivalents	\$ 1,875,396
Receivables	697,355
Total current assets	<u>2,572,751</u>
Noncurrent assets	
Capital assets not being depreciated	137,500
Capital assets being depreciated, net	8,475,649
Total noncurrent assets	<u>8,613,149</u>
Total assets	<u>\$ 11,185,900</u>
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 83,104
Accrued payroll liabilities	5,908
Accrued interest	661
Compensated absences	5,070
Current portion of long-term debt	52,541
Total current liabilities	<u>147,284</u>
Noncurrent liabilities	
Long term debt less current portion	107,849
Total noncurrent liabilities	<u>107,849</u>
Total liabilities	<u>255,133</u>
 <b>Net position</b>	
Net investment in capital assets	8,452,759
Restricted for other purposes	1,150,682
Unrestricted	1,327,326
Total net position	<u>10,930,767</u>
Total liabilities and net position	<u>\$ 11,185,900</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Statement of Activities  
For the Year Ended June 30, 2019**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Change in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government</b>					
Governmental activities:					
General government	\$ 783,707	-	391,130	-	(392,577)
Public safety	460,111	-	288,293	575,670	403,852
Public works	97,538	-	-	-	(97,538)
Interest on long-term debt	3,756	-	-	-	(3,756)
Total governmental activities	<u>\$ 1,345,112</u>	<u>-</u>	<u>679,423</u>	<u>575,670</u>	<u>(90,019)</u>
<b>General Revenues and Special Items</b>					
Taxes					
Gross receipts					\$ 302,019
Property					251,875
Franchise					154,403
State shared					288,516
Licenses and permits					7,656
Fines and forfeitures					2,541
Investment income					925
Miscellaneous					9,873
Total general revenues					<u>1,017,808</u>
Change in net position					927,789
Net position, beginning of year					10,127,978
Restatement - <i>see note 13 to the financial statements</i>					<u>(125,000)</u>
Net position, beginning of year restated					10,002,978
Net position, end of year					<u>\$ 10,930,767</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2019**

	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	(296) County Fire Excise GRT Fund	(297) County EMS GRT Fund	(298) Wildland Protection Fund	(300) Capital Projects Fund	(403) Debt Service Fund	
<b>Assets</b>													
Cash and investments	\$ 1,343,941	54,336	12,114	-	99,181	822	2,347	12,825	211,129	7,997	129,778	926	1,875,396
Accounts receivable (net of allowance for uncollectibles)	115,832	-	2,224	-	-	-	222,379	-	-	-	356,920	-	697,355
Total assets	\$ <u>1,459,773</u>	<u>54,336</u>	<u>14,338</u>	<u>-</u>	<u>99,181</u>	<u>822</u>	<u>224,726</u>	<u>12,825</u>	<u>211,129</u>	<u>7,997</u>	<u>486,698</u>	<u>926</u>	<u>2,572,751</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>													
<b>Liabilities</b>													
Accounts payable	16,021	-	-	-	1,922	-	-	-	-	-	65,161	-	83,104
Accrued liabilities	5,908	-	-	-	-	-	-	-	-	-	-	661	6,569
Total liabilities	21,929	-	-	-	1,922	-	-	-	-	-	65,161	661	89,673
<b>Deferred inflows of resources</b>													
Unavailable revenue-property taxes	13,431	-	-	-	-	-	-	-	-	-	-	-	13,431
<b>Fund balances</b>													
Restricted	105,448	54,336	14,338	-	97,259	822	224,726	12,825	211,129	7,997	421,537	265	1,150,682
Unassigned	1,318,965	-	-	-	-	-	-	-	-	-	-	-	1,318,965
Total fund balances	1,424,413	54,336	14,338	-	97,259	822	224,726	12,825	211,129	7,997	421,537	265	2,469,647
Total liabilities, deferred inflows of resources and fund balances	\$ <u>1,459,773</u>	<u>54,336</u>	<u>14,338</u>	<u>-</u>	<u>99,181</u>	<u>822</u>	<u>224,726</u>	<u>12,825</u>	<u>211,129</u>	<u>7,997</u>	<u>486,698</u>	<u>926</u>	<u>2,572,751</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements



**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Reconciliation of the Governmental Balance Sheet to the Statement of Net Position  
June 30, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance governmental funds	\$	2,469,647
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore are not reported in the funds.		8,613,149
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Notes payable		(160,390)
Compensated absences		(5,070)
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position.		13,431
Rounding		-
Net position governmental funds	\$	10,930,767

**STATE OF NEW MEXICO**  
**CITY OF RIO COMMUNITIES**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	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	(296) County Fire Excise GRT Fund	(297) County EMS GRT Fund	(298) Wildland Protection Fund	(300) Capital Projects Fund	(403) Debt Service Fund	
<b>Revenues</b>													
Taxes:													
Gross receipts	\$ 160,048	-	11,423	-	-	-	-	35,325	95,223	-	-	-	302,019
Property	252,810	-	-	-	-	-	-	-	-	-	-	-	252,810
Franchise	154,403	-	-	-	-	-	-	-	-	-	-	-	154,403
State shared	242,892	-	-	-	-	-	45,624	-	-	-	-	-	288,516
Licenses and permits	5,113	-	-	-	-	-	2,543	-	-	-	-	-	7,656
Intergovernmental:													
Federal grants	-	-	-	-	-	-	-	-	-	-	-	-	-
State grants	391,130	-	-	-	268,293	20,000	-	-	-	-	-	-	679,423
Legislative appropriations	-	-	-	-	-	-	218,750	-	-	-	356,920	-	575,670
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	1,387	1,154	-	-	-	-	-	-	-	-	-	-	2,541
Investment income	-	-	-	-	-	-	-	-	-	-	-	925	925
Miscellaneous	8,810	-	-	-	1,063	-	-	-	-	-	-	-	9,873
Total revenues	1,216,593	1,154	11,423	-	269,356	20,000	266,917	35,325	95,223	-	356,920	925	2,273,836
<b>Expenditures</b>													
Current:													
General government	410,056	441	-	-	-	-	-	-	-	-	-	212	410,709
Public safety	140,368	-	-	-	168,055	14,290	-	22,500	29,078	-	-	-	374,291
Public works	6,902	-	9,144	-	-	-	77,565	-	-	-	7,727	-	101,338
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	51,585	51,585
Interest	-	-	-	-	-	-	-	-	-	-	-	3,756	3,756
Capital outlay	57,125	-	-	-	48,463	6,844	421,223	-	-	-	1,169,477	-	1,703,132
Total expenditures	614,451	441	9,144	-	216,518	21,134	498,788	22,500	29,078	-	1,177,204	55,553	2,644,811
Excess (deficiency) of revenues over (under) expenditures	602,142	713	2,279	-	52,838	(1,134)	(231,871)	12,825	66,145	-	(820,284)	(54,628)	(370,975)
<b>Other financing sources (uses)</b>													
Transfers in	200,000	-	-	-	-	-	125,000	-	-	-	200,000	55,330	580,330
Transfers (out)	(325,000)	-	-	-	(255,330)	-	-	-	-	-	-	-	(580,330)
Total other financing sources (uses)	(125,000)	-	-	-	(255,330)	-	125,000	-	-	-	200,000	55,330	-
Net change in fund balances	477,142	713	2,279	-	(202,492)	(1,134)	(106,871)	12,825	66,145	-	(620,284)	702	(370,975)
Fund balance, beginning of year	1,088,022	53,623	16,621	80,885	351,534	1,956	331,597	-	-	-	1,041,821	(437)	2,965,622
Restatement - see note 13 to the financial statements	(140,751)	-	(4,562)	(80,885)	(51,783)	-	-	-	144,984	7,997	-	-	(125,000)
Fund balance, beginning of year restated	947,271	53,623	12,059	-	299,751	1,956	331,597	-	144,984	7,997	1,041,821	(437)	2,840,622
Fund balances, end of year	\$ 1,424,413	54,336	14,338	-	97,259	822	224,726	12,825	211,129	7,997	421,537	265	2,469,647

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019**

Amounts reported in the statement of activity are different because:

Net change in fund balance - Governmental Funds	\$ (370,975)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of assets is allocated as its estimated useful life as depreciation expense.	
Capital outlay included as additions in capital assets	1,703,131
Depreciation expense	(457,318)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Net change in compensated absences	2,300
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position.	
Loan repayment	51,585
Some items reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred property taxes	(934)
Change in net position - Statement of Activities	\$ <u>927,789</u>

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
General Fund (101)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes				
Gross receipts	\$ 147,659	161,350	161,350	-
Property	230,000	236,151	237,490	1,339
Franchise	156,000	158,641	158,641	-
State-shared	192,000	227,619	245,913	18,294
Licenses and permits	3,800	3,800	5,113	1,313
Intergovernmental:				
State grants	150,000	390,276	391,130	854
Charges for services	28,940	28,940	-	(28,940)
Fines and forfeitures	4,000	4,000	1,387	(2,613)
Interest on investments	5,800	5,800	-	(5,800)
Miscellaneous	-	-	9,215	9,215
Total revenues	<u>918,199</u>	<u>1,216,577</u>	<u>1,210,239</u>	<u>(6,338)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,151,360	1,159,431	400,253	759,178
Public safety	30,940	30,940	142,748	(111,808)
Public works	25,000	25,000	6,902	18,098
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	50,000	50,000	57,125	(7,125)
Total expenditures	<u>1,257,300</u>	<u>1,265,371</u>	<u>607,028</u>	<u>658,343</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(339,101)	(48,794)	603,211	652,005
<b>Other financing sources (uses)</b>				
Transfers in	-	-	200,000	200,000
Transfers (out)	-	-	(325,000)	(325,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
Net change in fund balance	<u>\$ (339,101)</u>	<u>(48,794)</u>	<u>478,211</u>	
Prior year cash balance - restated	<u>\$ 1,006,620</u>	<u>1,006,620</u>	<u>1,006,620</u>	

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ 478,211
To adjust applicable revenue accruals and deferrals	6,355
To adjust applicable expenditure accruals	(7,424)
Change in fund balance (GAAP basis)	<u>\$ 477,142</u>

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Corrections Fund (201)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Fines and forfeitures	\$ 1,084	1,184	1,154	(30)
Total revenues	1,084	1,184	1,154	(30)
<b>Expenditures</b>				
<b>Current</b>				
General government	32,213	32,213	441	31,772
Total expenditures	32,213	32,213	441	31,772
Revenues over/(under) expenditures before other financing sources/(uses)	(31,129)	(31,029)	713	31,742
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (31,129)	(31,029)	713	
Prior year cash balance	\$ 53,623	53,623	53,623	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ 713	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 713	

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Environmental Gross Receipts Tax Fund (202)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ 10,000	11,505	11,423	(82)
Total revenues	10,000	11,505	11,423	(82)
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	10,000	10,000	9,144	856
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	10,000	10,000	9,144	856
Revenues over/(under) expenditures before other financing sources/(uses)	-	1,505	2,279	774
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	1,505	2,279	
Prior year cash balance - restated	\$ 9,753	9,753	9,753	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ 2,279	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 2,279	

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Emergency Medical Services Fund (206)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes				
Gross receipts	\$	-	-	-
State-shared		-	-	-
Licenses and permits		-	-	-
Intergovernmental:				
State grants		-	-	-
Miscellaneous	105,000	105,000	-	(105,000)
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>-</u>	<u>(105,000)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government		-	-	-
Public safety	109,982	109,982	-	109,982
Public works		-	-	-
Culture and recreation		-	-	-
Health and welfare		-	-	-
Total expenditures	<u>109,982</u>	<u>109,982</u>	<u>-</u>	<u>109,982</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(4,982)	(4,982)	-	4,982
<b>Other financing sources (uses)</b>				
Transfers in		-	-	-
Transfers (out)		-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ (4,982)	\$ (4,982)	<u>-</u>	
Prior year cash balance - restated	\$ -	\$ -	<u>-</u>	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			<u>\$ -</u>	

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Fire Protection Fund (209)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ -	-	-	-
Intergovernmental:				
State grants	249,807	268,293	268,293	-
Miscellaneous	-	1,500	1,063	(437)
Total revenues	<u>249,807</u>	<u>269,793</u>	<u>269,356</u>	<u>(437)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	194,253	244,253	185,371	58,882
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	48,463	(48,463)
Total expenditures	<u>194,253</u>	<u>244,253</u>	<u>233,834</u>	<u>10,419</u>
Revenues over/(under) expenditures before other financing sources/(uses)	55,554	25,540	35,522	9,982
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	(55,554)	(255,554)	(255,330)	224
Total other financing sources (uses)	<u>(55,554)</u>	<u>(255,554)</u>	<u>(255,330)</u>	<u>224</u>
Net change in fund balance	<u>\$ -</u>	<u>(230,014)</u>	<u>(219,808)</u>	
Prior year cash balance - restated	<u>\$ 301,317</u>	<u>301,317</u>	<u>301,317</u>	

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ (219,808)
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	17,316
Change in fund balance (GAAP basis)	<u>\$ (202,492)</u>



**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Law Enforcement Protection Fund (211)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>(Negative)</b>
<b>Revenues</b>				
Taxes				
Gross receipts	\$ -	-	-	-
Intergovernmental:				
State grants	20,000	20,000	20,000	-
Total revenues	20,000	20,000	20,000	-
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	20,433	(20,433)
Capital outlay	21,956	21,956	-	21,956
Total expenditures	21,956	21,956	20,433	1,523
Revenues over/(under) expenditures before other financing sources/(uses)	(1,956)	(1,956)	(433)	1,523
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (1,956)	(1,956)	(433)	
Prior year cash balance	\$ 1,956	1,956	1,956	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ (433)	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			(701)	
Change in fund balance (GAAP basis)			\$ (1,134)	

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Municipal Street Fund (216)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ -	-	-	-
State-shared	42,500	42,500	45,624	3,124
Legislative appropriations	-	-	-	-
Licenses and permits	5,000	5,000	2,543	(2,457)
Total revenues	<u>\$ 47,500</u>	<u>47,500</u>	<u>48,167</u>	<u>667</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	335,500	499,500	77,565	421,935
Capital outlay	-	-	421,223	(421,223)
Total expenditures	<u>335,500</u>	<u>499,500</u>	<u>498,788</u>	<u>712</u>
Revenues over/(under) expenditures before other financing sources/(uses)	(288,000)	(452,000)	(450,621)	1,379
<b>Other financing sources (uses)</b>				
Transfers in	0	125,000	125,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (288,000)</u>	<u>(327,000)</u>	<u>(325,621)</u>	
Prior year cash balance	<u>\$ 327,854</u>	<u>327,854</u>	<u>327,854</u>	

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ (325,621)
To adjust applicable revenue accruals and deferrals	218,750
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	<u>\$ (106,871)</u>

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
County Fire Excise Gross Receipts Tax Fund (296)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ -	-	35,325	35,325
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
State grants	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	35,325	35,325
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	22,500	(22,500)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	-	-	22,500	(22,500)
Revenues over/(under) expenditures before other financing sources/(uses)	-	-	12,825	12,825
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	12,825	
Prior year cash balance - restated	\$ -	-	-	

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ 12,825
To adjust applicable revenue accruals and deferrals	-
To adjust applicable expenditure accruals	-
Change in fund balance (GAAP basis)	\$ 12,825

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
County Emergency Medical Services Gross Receipts Tax Fund (297)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes				
Gross receipts	\$	-	-	95,223
State-shared		-	-	-
Licenses and permits		-	-	-
Intergovernmental:				
State grants		-	-	-
Miscellaneous		-	-	-
Total revenues		-	-	95,223
<b>Expenditures</b>				
<b>Current</b>				
General government		-	-	-
Public safety		-	29,078	(29,078)
Public works		-	-	-
Culture and recreation		-	-	-
Health and welfare		-	-	-
Total expenditures		-	29,078	(29,078)
Revenues over/(under) expenditures before other financing sources/(uses)		-	66,145	66,145
<b>Other financing sources (uses)</b>				
Transfers in		-	-	-
Transfers (out)		-	-	-
Total other financing sources (uses)		-	-	-
Net change in fund balance	\$	-	66,145	
Prior year cash balance - restated	\$	-	-	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ 66,145	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 66,145	

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Wildland Protection Fund (298)  
Statement of Revenues, Expenditures  
Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ -	-	-	-
State-shared	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
State grants	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over/(under) expenditures before other financing sources/(uses)	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	<u>-</u>	
Prior year cash balance - restated	\$ <u>7,997</u>	<u>7,997</u>	<u>7,997</u>	
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ <u>-</u>	

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

**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*.

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Sales, franchise, lodgers, gas, cigarette and other similar taxes are recognized when the underlying exchange transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

- *General Fund*—This is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Corrections Fund (Special Revenue Fund) (NMSA, 33-2-25)*—This fund account for the proceeds of the State of New Mexico approved assessments for the municipal court, for which expenditures are designated for the care of prisoners.

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- *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, 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.
- *County Fire Excise Gross Receipts Tax Fund (Special Revenue Fund) (NMSA, 7-20E-15)*—This fund accounts for resources received from Valencia County for the operation of fire protection services.
- *County Emergency Medical Services Gross Receipts Tax Fund (Special Revenue Fund) (NMSA, 7-24E-22)*—This fund accounts for resources received from Valencia County for the operation of emergency medical services operations.
- *Wildland Protection Fund (Special Revenue Fund)*—This fund accounts for reimbursements received for assistance with wildland fire protection.
- *Capital Projects Fund (Capital Projects Fund)*—This fund accounts for state capital outlay funds used to purchase and repair City buildings.
- *Debt Service Fund (Debt Service Fund)*—This fund accounts for funds required to pay off the City's loans.

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

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

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



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**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.

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

<b>Categories</b>	<b>Estimated Useful Lives</b>
Buildings and building improvements	40 years
Utility systems	33 years
Infrastructure	30 years
Machinery and equipment	5-10 years
Computer (hardware and software)	3-7 years
Furniture and fixtures	15 years
Vehicles	5-10 years
Library books	5 years

**Receivables**

Accounts receivable at June 30, 2019, 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, 2019 accrued vacation was \$5,070.

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.

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**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.

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

- **Restricted Fund Balance**

This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed Fund Balance**

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use restriction by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- **Assigned Fund Balance**

This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

- **Unassigned Fund Balance**

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The New Mexico Department of Finance and Administration (DFA) requires that 1/12 of the 2019 budgeted expenditures in the general fund be restricted as subsequent-year expenditures to provide adequate cash reserves. The City follows this requirement in order to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. The City has restricted \$105,448 for minimum fund balance at June 30, 2019.

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**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 financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no deferred outflows of resources during fiscal year.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The City has the following deferred inflows of resources during the fiscal year 2019 on the fund financials: \$13,431 related to property tax revenue that was not available to the City in 60 days after year end.

**Budgets and Budgetary Accounting**

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

- 1) Prior to June 1, the City Governing Body adopts a proposed operating budget for the fiscal year commencing July 1. The operating budgets include proposed expenditures and the means of financing them based on previous years history. The budget is legally enacted through passage of an ordinance.
- 2) The City Finance Officer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and New Mexico Department of Finance, Division of Local Governments. The original budget that was adopted in July was amended during the fiscal year in a legally permissible manner.
- 3) Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.

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- 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.
- 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.

**GASB 77 Disclosure**

The City has no tax abatement agreements as of June 30, 2019, and therefore no disclosures under GASB 77 are required.

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**2) Cash and Cash Equivalents and Investments**

At June 30, 2019, the carrying amount of the City's deposits was \$1,875,252 and the bank balance was \$1,915,210 with the difference consisting of deposits in transit and outstanding checks as presented below.

	<u>Type</u>	<u>Per Bank 6/30/2019</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Per Books 6/30/2019</u>
<b>United Business Bank</b>					
General	Checking	\$ 1,475,000	200,150	(175,628)	1,499,522
Reserve	Checking	80,010	-	-	80,010
Fire Department	Checking	359,274	137,532	(202,012)	294,794
		<u>1,914,284</u>	<u>337,682</u>	<u>(377,640)</u>	<u>1,874,326</u>
<b>NMFA</b>	Debt service reserves	926	-	-	926
Total cash in banks		<u>\$ 1,915,210</u>	<u>337,682</u>	<u>(377,640)</u>	<u>1,875,252</u>
Plus:					
Petty cash					144
Total cash and cash equivalents per books					<u>\$ 1,875,396</u>
As reported in the financial statements:					
Cash					<u>\$ 1,875,396</u>
Total cash and investments					<u>\$ 1,875,396</u>

Of the total cash and cash equivalents balance, \$250,000 was covered by federal depository insurance and \$1,500,000 was covered by collateral held in joint safekeeping by a third party.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt to be issued, to the City, for at least one half of the amount on deposit with the institution. The City does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits.

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As of June 30, 2019, \$1,664,284 of the City's bank deposits were exposed to custodial risk as follows:

	<b>United Business Bank</b>	<b>NMFA</b>
Deposits	\$ 1,914,284	926
Less FDIC Coverage	(250,000)	N/A
Total uninsured public funds	1,664,284	-
<b>Collateral pledged:</b>		
<b>United Business Bank</b>		
Letter of Credit #2018-726 issued by Federal Home Loan Bank of San Francisco located in San Francisco, CA	1,500,000	-
Pledged collateral held by the pledging bank's trust department or agent, not in the City's name	1,500,000	-
Collateral requirement (50% of uninsured funds)	832,142	-
Pledged collateral	1,500,000	-
Over (under) collateralized	\$ 667,858	-

**Investments**

As of June 30, 2019, the City had no investments.

**3) Receivables**

Receivables as of June 30, 2019 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Environmental				Total
	General	Gross Receipts	Municipal Street	Capital Projects	
Receivables:					
Gross receipts taxes	\$ 77,241	2,224	-	-	79,465
Property taxes	21,571	-	-	-	21,571
Franchise taxes	12,992	-	-	-	12,992
State shared	4,028	-	3,629	-	7,657
State contracts	-	-	218,750	356,920	575,670
Gross receivables	115,832	2,224	222,379	356,920	697,355
Less: Allowance for uncollectibles	-	-	-	-	-
Total receivables, net	\$ 115,832	2,224	222,379	356,920	697,355

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

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are primarily from governmental agencies and an allowance for doubtful accounts is maintained only for those receivables deemed to be uncollectible.

**4) Capital Assets**

Primary government capital asset activity for the year ended June 30, 2019 is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2019</b>
Capital assets not being depreciated:				
Land and water rights	\$ 137,500	-	-	137,500
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>137,500</u>	<u>-</u>	<u>-</u>	<u>137,500</u>
Capital assets being depreciated:				
Buildings and building improvements	1,442,649	1,236,157	-	2,678,806
Equipment and machinery	242,757	45,751	-	288,508
Vehicles	421,313	-	-	421,313
Infrastructure	6,427,070	421,223	-	6,848,293
Total capital assets being depreciated	<u>8,533,789</u>	<u>1,703,131</u>	<u>-</u>	<u>10,236,920</u>
Less accumulated depreciation for:				
Buildings and building improvements	(169,214)	(71,671)	-	(240,885)
Equipment and machinery	(62,066)	(29,975)	-	(92,041)
Vehicles	(137,012)	(34,319)	-	(171,331)
Infrastructure	(935,661)	(321,353)	-	(1,257,014)
Total accumulated depreciation	<u>(1,303,953)</u>	<u>(457,318)</u>	<u>-</u>	<u>(1,761,271)</u>
Total capital assets being depreciated, net	<u>7,229,836</u>	<u>1,245,813</u>	<u>-</u>	<u>8,475,649</u>
Capital assets, net	<u>\$ 7,367,336</u>	<u>1,245,813</u>	<u>-</u>	<u>8,613,149</u>

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Depreciation expense for the year ended June 30, 2019 was charged to the following functions:

Governmental Activities:		
General government	\$	71,671
Public safety		64,294
Public works		321,353
Total	\$	457,318

**6) 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, 2019.

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:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 200,000	325,000
Corrections Fund	-	-
Fire Protection Fund	-	255,330
Municipal Street Fund	125,000	-
Capital Projects Fund	200,000	-
Debt Service Fund	55,330	-
Total	\$ 580,330	580,330

**7) Long-term Debt**

Long-term debt activity for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
Notes payable	\$ 211,975	-	(51,585)	160,390	52,541
Compensated absences	7,370	11,858	(14,158)	5,070	5,070
Total	\$ 219,345	11,858	(65,743)	165,460	57,611

During the fiscal year ended June 30, 2018, the City entered into a loan agreement with the New



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Mexico Finance Authority in the amount of \$261,488 to finance emergency vehicles. The term of the loan in five years and carries a 1.660% - 2.000% variable interest rate. The loan will be paid from the revenues received pursuant to the Fire Protection Fund Law, NMSA 59A-53-1. There are no provisions for the acceleration of maturity of the principal of the loan in the event of a default in the payment of principal of or interest on the loans.

Payments on the loan begin May 1, 2018. The outstanding principal balance at June 30, 2019 was \$160,390.

Minimum principal payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 52,541	2,842	55,383
2021	53,491	1,911	55,402
2022	54,358	948	55,306
Total	\$ 160,390	5,701	166,091

The interest expense for the year ended June 30, 2019 was \$3,756.

Debt service payments for the NMFA loan are liquidated from resources of the fire protection fund via an intercept agreement with the New Mexico Public Regulation Commission. Compensated absences is liquidated from resources of the general fund and several special revenue funds.

**8) Retirement Plans**

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

**9) 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.

**10) Deficit Fund Balance**

None of the City's funds had a deficit fund balance as of June 30, 2019.

**11) Concentrations**

The City depends on financial resources flowing from, or associated with, the State of New Mexico. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**12) Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although The City, expects such amounts, if any, to be immaterial.

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The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of The City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of The City.

**13) Restatement**

Subsequent to the issuance of the prior year financial statements management identified expenses totaling \$125,000 for contract law enforcement services provided by Valencia County that related to the period ending June 30, 2018. To reflect these expenses in the proper period management has restated and reduced fund balance of the general fund and net position of governmental activities at the beginning of the year by \$125,000.

During the year management elected to establish new funds to further segregate resources generated from the collection and assessment of county emergency medical services gross receipts taxes (Fund 297), and reimbursements for assistance with wildland protection (Fund 298). As a result, beginning of year fund balances for these funds were restated and established. In aggregate, there was no effect on total fund balances of governmental funds. The changes in beginning fund balances are summarized as follows:

Fund	Fund Description	Beginning fund balance as previously stated	Restatement	Beginning fund balance restated
101	General Fund	\$ 1,088,022	(140,751)	947,271
202	Environmental GRT	16,621	(4,562)	12,059
206	EMS	80,885	(80,885)	-
209	Fire Protection	351,534	(51,783)	299,751
297	County EMS GRT	-	144,984	144,984
298	Wildland Protection	-	7,997	7,997
	Total	\$ 1,537,062	(125,000)	1,412,062

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**14) Subsequent Accounting Standards**

GASB has issued the following statements, which are applicable in future years. Management has not determined the impact, if any, these futures pronouncements will have on the City.

➤ **GASB Statement No. 84, *Fiduciary Activities* -**

Effective Date: The provisions in Statement 86 are effective for fiscal years beginning after December 15, 2018.

The Statement establishes criteria for identifying fiduciary activities of all state and local governments:

- Focus of the criteria generally on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.
- Separate criteria included in the fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

➤ **GASB Statement No. 87, *Leases* -**

Effective Date: The provisions in Statement 86 are effective for fiscal years beginning after December 15, 2019.

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Joint Powers Agreements  
For the Year Ended June 30, 2019**

Joint Powers Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed by City during current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
1 Continuation of Services	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Animal Control Services E-911 services	7/1/2016 - Ongoing 6/30/2018 - Ongoing	\$ 70,000	\$ 6,437	City of Rio Communities Valencia County	City of Rio Communities Valencia County
2 Corrections	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Housing and care of prison detainees.	7/22/2014 - Ongoing	\$ 20,000	\$ -	City of Rio Communities Valencia County	City of Rio Communities Valencia County
3 VRECC	City of Rio Communities VRECC	City of Rio Communities VRECC	Provide enhanced 911 and dispatch services	7/1/2015 - Ongoing	\$ 35,000	\$ 32,918	City of Rio Communities VRECC	City of Rio Communities VRECC
4 Law Enforcement Protection	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Designation of municipal law enforcement officer to City of Rio Communities	7/7/2016 - Ongoing	\$ 125,000	\$ 250,000	City of Rio Communities Valencia County	City of Rio Communities Valencia County
5 Emergency Medical Services	City of Rio Communities Valencia County	City of Rio Communities Valencia County	As necessary medical direction on behalf of medical director Medical Waste Disposal	7/7/2016 - Ongoing	\$4,575 & \$805	\$4,575 & \$766	City of Rio Communities Valencia County	City of Rio Communities Valencia County
6 Roadside Installation	City of Rio Communities Valencia County	City of Rio Communities Valencia County	Installation of City Road Signs	7/7/2016 - Ongoing	\$ -	\$ 4,272	City of Rio Communities Valencia County	City of Rio Communities Valencia County
7 Mutual Wildfire Suppression	City of Rio Communities EMNRD	City of Rio Communities EMNRD	Mutual wildfire suppression, management assistance, cooperation and use of federal excess property	1/1/2016 - Ongoing	\$ -	\$ 1,297	City of Rio Communities EMNRD	City of Rio Communities EMNRD
8 Countywide EMS Tax Transference (40%)(“EMS GRT VC”)	City of Rio Communities Countywide (MOA)	City of Rio Communities Countywide (MOA)	Emergency Communications & Medical Behavioral Services Tax	7/1/2016 - Ongoing	\$ 75,560	\$ 59,927	City of Rio Communities Countywide (MOA)	City of Rio Communities Countywide (MOA)

## **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 GOVERNMENT AUDITING STANDARDS**

Mr. Brian Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2019.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a material weakness.

*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. We consider the deficiency described in the accompany schedule of findings and responses as item 2019-003 to be a significant deficiency.

### **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*.

We noted certain matters that are required to be reported under Section 12-6-5 NMSA 1978, that we have described in the schedule of findings and responses as items 2019-001, 2019-002, and 2019-003.

### **City of Rio Communities, New Mexico Response to Findings**

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

### **Purpose of This Report**

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
December 12, 2019



**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Summary of Auditor's Results  
For the Year Ended June 30, 2019**

**Financial Statements**

Type of auditor's report issued

**Unmodified**

Internal control over financial reporting

a. Material weakness(es) identified?

Yes     No

b. Significant deficiencies identified  
that are not considered material weakness(es)?

Yes     No

c. Noncompliance material to the financial statements noted?

Yes     No

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

<b>Reference #</b>	<b>Finding</b>	<b>Status of Prior / Current Year Findings</b>	<b>Type of Finding *</b>
<b>PRIOR YEAR</b>			
2019-001 (2018-001)	Timely Deposits	Repeated and Modified	C, D
<b>CURRENT YEAR</b>			
2019-002	Financial Close and Reporting	Current	A, D
2019-003	Lack of Supporting Documentation	Current	B, D

\* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting
- D.** Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**PRIOR YEAR FINDINGS**

**2019-001 (2018-001) – TIMELY DEPOSITS**

**Type of Finding: C and D**

**Statement of Condition**

The City did not deposit cash receipts timely. During our assessment of twenty-five (25) deposits we found fifteen (15) deposits were not recorded or deposited daily. Due to turnover of the previous Treasurer in May 2019 and vacancies in the finance department there was minimal progress on the prior year finding.

**Criteria**

The Public Money Act, Section 6-10-2 NMSA 1978, requires that cash records shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.

**Effect**

The City did not timely deposit public funds and as a result is not in compliance with State Statute.

**Cause**

The City did not enforce internal controls to ensure timely deposits of cash receipts.

**Recommendation**

Implement internal controls to ensure the City deposits cash receipts timely.

**View of Responsible Officials**

The City has implemented processes and procedures to ensure deposits are made timely. The Finance Clerk retrieves cash receipts from the Municipal Clerk at least once daily. Deposits are verified by the Finance Clerk and Treasurer and taken to the bank daily. Deposits are also balanced and recorded in the accounting system daily.

*Anticipated Completion Date for Corrective Action: July 1, 2019*

*Designation of Employee Position Responsible for Meeting Completion Date: City Treasurer*

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**CURRENT YEAR FINDINGS**

**2019-002 – FINANCIAL CLOSE AND REPORTING**

**Type of Finding: A and D**

**Statement of Condition**

The City did not internally maintain a chart of accounts that allowed for the timely and accurate preparation of the balance sheet for governmental funds. As a result, significant audit entries were required to accurately prepare the City’s fund financial statements. The following adjustments were required to correct the trial balance:

<b>Cash</b>	<b>Fund</b>	<b>Increase (Decrease)</b>
	General	\$ (474,067)
	Corrections	54,296
	Environmental GRT	12,114
	Fire Protection	99,181
	Law Enforcement	822
	Municipal Street	2,347
	County Fire Excise GRT	12,825
	County EMS GRT	211,129
	Wildand Protection	7,997
	Capital Projects	129,778
<b>Accounts Receivable</b>		
	General Fund	20,008
	Environmental GRT	1,507
	Municipal Street	219,446
	Capital Projects	356,920
<b>Accounts Payable</b>		
	General	7,376
	Fire Protection	(14,600)
	Capital Projects	65,161
<b>Accrued Liabilities</b>		
	General	143
	Debt Service	\$ (1,079)

**Criteria**

2.2.2.10 D (2) NMAC, Requirements for Preparation of Financial Statements, requires that the City shall maintain adequate accounting records in order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

**Effect**

The City did not accurately and timely prepare the fund financial statements prior to audit.

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**Cause**

The City did not have internal controls designed and implemented to ensure the timely and accurate preparation of the fund financial statements.

**Recommendation**

Implement internal controls to ensure the City is able to accurately prepare the City's fund financial statements in a timely manner.

**View of Responsible Officials**

The City has purchased a fund accounting system that will allow for the accurate and timely preparation of the fund financial statements. The City anticipates going live with the new accounting system July 1, 2020.

*Anticipated Completion Date for Corrective Action:* July 1, 2020

*Designation of Employee Position Responsible for Meeting Completion Date:* City Treasurer

**2019-003 – LACK OF SUPPORTING DOCUMENTATION**

**Type of Finding: B and D**

**Statement of Condition**

The City did not maintain source documentation to support expenditures. During our assessment of seventy-one (71) disbursements we found the following:

- Twelve (12) disbursements totaling \$7,956 did not have an invoice or other supporting documentation to support the expenditure;
- Forty-five (45) disbursements did not have a purchase order available for inspection; and,
- Three (3) months of purchasing cards and gas cards were missing receipts totaling \$4,524.

**Criteria**

2.2.2.10 D (2) NMAC, Requirements for Preparation of Financial Statements, requires that the City shall maintain adequate accounting records in order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

**Effect**

The City did not adequately maintain source documentation to support expenditures.

**Cause**

The City did not enforce internal controls to ensure expenditures are adequately supported.

**Recommendation**

Implement internal controls to ensure the City maintains adequate documentation to support transactions.

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019**

**View of Responsible Officials**

The City has implemented new processes and procedures to ensure that adequate source documentation is maintained. This includes requiring departments to complete purchase requisitions and if approved, will lead to the creation of a purchase order. Invoices, will be matched to purchase order, goods receipt/receiving documentation prior to payment. For each disbursement; the purchase order, receiving document(s), relevant procurement document(s), invoice(s) and copy of the check will be kept together as a payment packet. These packets will be filed by month in sequential order by check number.

Anticipated Completion Date for Corrective Action: July 1, 2019

Designation of Employee Position Responsible for Meeting Completion Date: City Treasurer

**STATE OF NEW MEXICO  
CITY OF RIO COMMUNITIES  
Exit Conference  
For the Year Ended June 30, 2019**

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the City as of June 30, 2019, 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 12, 2019. The following individuals were in attendance.

**City of Rio Communities Officials**

Margaret Gutjahar  
Stephanie Finch  
Joshua Ramsell

Mayor Pro Tem  
Treasurer  
Councilor

**Hinkle + Landers, PC**

Jeremiah Armijo, CPA

Senior Audit Manager