



REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

RIO METRO REGIONAL TRANSIT DISTRICT

June 30, 2020



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**Rio Metro Regional Transit District
Official Roster
Board Members**

City of Albuquerque	Councilor	Isaac Benton
City of Albuquerque	Councilor, Chair	Diane Gibson
City of Albuquerque	Councilor	Brook Bassan
City of Albuquerque	Councilor	Cynthia Borrego
City of Albuquerque	Councilor	Don Harris
City of Albuquerque	COO	Lawrence Rael
City of Belen	Mayor	Jerah Cordova
Bernalillo County	Commissioner	Debbie O'Malley
Bernalillo County	Commissioner	Charlene Pyskoty
Bernalillo County	Commissioner	James Collie
Town of Bernalillo	Mayor	Jack S. Torres
Village of Bosque Farms	Mayor	Russell Walkup
Village of Corrales	Councilor	David Dornburg
Village of Los Lunas	Mayor	Charles Griego
Los Ranchos de Albuquerque	Mayor	Donald Lopez
City of Rio Communities	Councilor	Jim Winters
City of Rio Rancho	Councilor	Jim Owen
City of Rio Rancho	Councilor	Bob Tyler
Sandoval County	Commissioner	Michael Meek
Valencia County	Commissioner	Charles Eaton
Isleta Pueblo	Associate Member	Kathy Trujillo



Report of Independent Auditors

Board of Directors
Rio Metro Regional Transit District
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules of Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Rio Metro'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 the governmental activities, each major fund, and aggregate remaining fund information of Rio Metro as of June 30, 2020, and the respective changes in financial position and the budgetary comparison schedules for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rio Metro's basic financial statements. The combining balance sheets; combining statement of revenues, expenditures, and changes in fund balances; schedule of pledged collateral; and schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 14, 2020 on our consideration of Rio Metro'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 solely 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 the effectiveness of Rio Metro's 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 Rio Metro's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2020

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Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Management's discussion and analysis of Rio Metro Regional Transit District (Rio Metro) provides an overview of Rio Metro's mission and function, recent program opportunities, and a brief discussion of the basic financial statements.

RIO METRO'S MISSION AND FUNCTION

New Mexico regional transit districts are made up of multiple government agencies for the purpose of planning, financing and operating a regionally unified public transportation system. Transit districts are governed by a representative of the local member agencies to ensure a balance between local and regional transportation needs.

Rio Metro was formed to develop a cohesive regional transit system that provides economical transportation alternatives for the residents of Bernalillo, Sandoval, and Valencia counties. The Rio Metro Regional Transit Plan identifies future transit services and infrastructure needs for the three-county service area. A programmatic approach, which included gathering input from recently completed and relevant planning studies, community comments and technical analysis, was applied to define the service and infrastructure investments identified in the plan.

The services currently provided within the transit district are comprised of independently operated systems. The public transportation modes included in the Rio Metro service area include the New Mexico Rail Runner Express (NMRX) commuter train and ABQ Ride's Rapid Ride bus service, as well as local fixed-route buses, neighborhood circulator services, flex route services and Dial-a-Ride systems. In addition to the services, transit passenger facilities and amenities are important elements necessary to support transit operations and to build and maintain patronage. Common passenger facilities include commuter train stations, bus stops, transit centers and park-and-ride facilities.

Transportation services receive funding from the following sources: passenger fares, county regional transit gross receipts taxes, advertising, interest income and Federal Transit Administration (FTA) funds.

Rio Metro operates the NMRX under a Memorandum of Agreement (MOA) with the New Mexico Department of Transportation (NMDOT). NMRX capital assets, including the track, signals, locomotives and rolling stock, are owned by NMDOT. NMRX operations are funded primarily from FTA grant funds and Regional Transit Gross Receipts Tax funds, farebox proceeds and Burlington Northern Santa Fe/Amtrak gross ton mileage fees.

During April 2019, Rio Metro entered into an agreement with Wabtec for the implementation of Positive Train Control (PTC). PTC is a federally mandated safety overlay system for rail operations. PTC increases safety by removing the human element to prevent certain types of accidents, including train-to-train collisions, high speed derailments on low speed curves, operations through a switch in the wrong position and incursion of trains into active work zones. The costs for the system is contracted at \$58 million, and implementation will take nearly 24 months to complete. Rio Metro received approximately \$36 million in discretionary federal grants and entered into a State Infrastructure Bank (SIB) loan with the State of New Mexico for \$10.9 million. Expenditures for project implementation began during fiscal year 2019, and will continue through fiscal year 2021. Following implementation of the PTC, Rio Metro anticipates annual maintenance cost for the system will run between \$2 million and \$3.5 million.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Regional Transit Gross Receipts Tax (GRT) was established by State Statute and individual County ballot measures. Accordingly, "revenue from the county regional transit gross receipts tax will be used by Rio Metro Regional Transit District in equal portions for the management, operations, capital construction or maintenance of the NMRX, and for management, operations, capital, construction or maintenance of the Rio Metro Regional Transit District system", pursuant to the Regional Transit District Act. Furthermore, the Regional Transit District Act defines "regional transit system" to mean "a property, improvement or system designed to be compatible with established state and local transportation plans that transports or conveys passengers within a region by means of high-occupancy vehicle, including an automobile, truck, bus, van or railcar." As a matter of practice, Rio Metro budgets only 50% of the Regional Transit GRT proceeds for NMRX operations and maintenance. However, the law allows a higher percentage and leaves that discretion to the district.

Rio Metro budgeting practice is to limit the GRT revenue dedicated to the NMRX to 50% of that collected in the district. However, from time to time, Rio Metro may perform budget adjustments that will increase NMRX's share of the Regional Transit GRT above the 50% in order to meet unexpected revenue shortfalls in other funds and when emergencies arise.

REGIONAL TRANSIT GROSS RECEIPTS TAX

Rio Metro began receiving Regional Transit GRT during September 2009, Regional Transit GRT are received from Bernalillo, Sandoval, and Valencia counties.

Regional Transit GRT provide the primary source of funding for continuing operations of the New Mexico Rail Runner Express. Regional Transit GRT are also used to develop and improve transit operations within the transit district, specifically in Bernalillo, Sandoval, and Valencia counties.

OVERVIEW OF FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to Rio Metro's basic financial statements. Rio Metro's basic financial statements comprise three components:

1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Rio Metro's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of Rio Metro's 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 Rio Metro is improving or deteriorating. The statement of activities presents information showing how Rio Metro'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, such as expenses pertaining to earned but unused vacation and sick leave. All of Rio Metro's activities are reported under governmental-type activities and there are no component units.

Governmental 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. Rio Metro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Rio Metro are governmental funds. The focus of governmental fund financial statements is the near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year.

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.

Rio Metro maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, GRT-Rail Fund, GRT-Transit Fund, FTA Direct Fund, and Other Federal Fund, all of which are considered to be major funds.

Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Budgetary Comparisons

Rio Metro maintains a budget for informational and managerial purposes. The budget is approved by Rio Metro's Board of Directors and the State of New Mexico Department of Finance and Administration's Local Government Division, pursuant to Section 6-6-2, NMSA. As required by the New Mexico State Audit Rule, 2.2.2 NMAC, budget and actual comparison statements have been provided for the transit program and the rail program. Budget and actual comparison statements for the transit program and the rail program include budget and actual comparisons for the general fund, special revenue funds, and other governmental funds due to established budgeting procedures.

FINANCIAL ANALYSIS OF RIO METRO

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2020, Rio Metro's total assets exceeded total liabilities by \$13,370,501. During the year ended June 30, 2020, Rio Metro's net position decreased by \$4,009,038.

Rio Metro's overall financial position continues to remain strong. Regional transit gross receipts taxes provide a stable source of funding for transit services in the region. The gross receipts taxes also provide a source of local funding that can be used to match various federal and state grants. Gross receipts taxes are dependent on the economy; therefore, the amount of gross receipts taxes available in future years will depend on the state of the regional economy. However, Rio Metro is confident that there will be sufficient revenues available in future years to provide adequate transit services to area residents.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Net Position

The following table summarizes the Rio Metro's net position as of June 30, 2020 and 2019. Net position is presented on a consolidated basis and is reflected on a full-accrual basis.

	Governmental Activities	
	June 30,	
	<u>2020</u>	<u>2019</u>
Current assets	\$ 29,161,147	\$ 37,396,466
Capital assets, net of accumulated depreciation	<u>3,019,214</u>	<u>2,422,548</u>
Total assets	<u>\$ 32,180,361</u>	<u>\$ 39,819,014</u>
Current liabilities	\$ 7,909,860	\$ 11,539,475
Long-term liabilities	<u>10,900,000</u>	<u>10,900,000</u>
Total liabilities	<u>18,809,860</u>	<u>22,439,475</u>
Net position		
Net investment in capital assets	3,019,214	2,334,097
Restricted	20,351,285	25,045,440
Unrestricted	<u>(9,999,998)</u>	<u>(9,999,998)</u>
Total net position	<u>13,370,501</u>	<u>17,379,539</u>
Total liabilities and net position	<u>\$ 32,180,361</u>	<u>\$ 39,819,014</u>

**Rio Metro Regional Transit District
Management's Discussion and Analysis
Year Ended June 30, 2020**

Rio Metro's change in net position for the year ended June 30, 2020 was a decrease of \$4,009,038. The following table summarizes the changes in net position:

	Governmental Activities Year Ended June 30,	
	2020	2019
Expenses	\$ (92,980,884)	\$ (54,770,515)
Charges for services	3,436,523	4,091,654
Program operating grants and contributions	56,756,745	22,781,943
Net expenses	(32,787,616)	(27,896,918)
General revenues		
New Mexico gross receipts taxes	28,778,577	28,075,918
Change in net position	(4,009,039)	179,000
Net position		
Beginning of year	17,379,539	17,200,539
End of year	\$ 13,370,500	\$ 17,379,539

Financial Analysis of the Governmental Funds

Rio Metro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Rio Metro's governmental funds is to provide information on a near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Rio Metro's financing requirements. In particular, unassigned 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 June 30, 2020, Rio Metro's governmental funds reported combined ending fund balances of \$21.2 million, a decrease of \$4.7 million in comparison with prior year.

Rio Metro's total expenditures during the year ended June 30, 2020 totaled approximately \$93.7 million, compared to \$54.4 million dollars during fiscal 2019. Eighty-three percent (83%) of those expenditures were for operating the New Mexico Rail Runner Express commuter rail system. The Rail Runner is an operating activity and the commuter rail system has been in operations for several years. Transit operations is also included with no major service changes planned.

**Rio Metro Regional Transit District
Management's Discussion and Analysis
Year Ended June 30, 2020**

The following table summarizes the revenues, expenditures, and changes in fund balances of the governmental funds:

	Year Ended June 30,	
	2020	2019
Revenues		
Federal	\$ 53,053,262	\$ 21,632,513
State	2,532,970	-
Local	28,778,577	28,075,917
Charges for service	1,386,567	2,010,564
BNSF/Amtrak	2,049,955	2,081,091
Other	1,170,514	1,149,429
Total revenues	<u>88,971,845</u>	<u>54,949,514</u>
Expenditures		
Operations	92,667,372	53,269,931
Capital outlay	998,628	1,153,256
Total expenditures	<u>93,666,000</u>	<u>54,423,187</u>
Excess of revenues over expenditures	(4,694,155)	526,327
Other financing sources		
Loan proceeds	-	10,900,000
Net change in fund balance	(4,694,155)	11,426,327
Fund balance		
Beginning of year	<u>25,945,442</u>	<u>14,519,115</u>
End of year	<u>\$ 21,251,287</u>	<u>\$ 25,945,442</u>

ANALYSIS OF MAJOR FUNDS

General Fund (Fund 1000)

During the year ended June 30, 2020, Rio Metro began recognizing revenues such as BNSF/Amtrak reimbursables, special projects, merchandising, and permitting in rail operations in the Rail Gross Receipts Tax (Fund 1200) to more accurately represent the nature of these revenue activities. Prior to fiscal 2020, certain amounts related to these activities were reported in the General Fund. During the year ended June 30, 2020, no revenues were reported in the General Fund.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

Rail Gross Receipts Tax (Fund 1200)

The Rail Gross Receipts Tax Fund includes the rail portion of gross receipts tax revenue when it is received, including revenues for BNSF/Amtrak track usage, farebox, bike locker, and special projects. During the year ended June 30, 2020, Rio Metro also reported rail operations in this fund. When Rio Metro allocates revenue at the end of each month, the Rail GRT revenue is allocated to the various rail funds as needed to cover expenses. As of June 30, 2020, the fund balance in the Rail GRT Fund was \$7.6 million, an increase of \$2.7 million from June 30, 2019.

Transit Gross Receipts Tax (Fund 1300)

The Transit Gross Receipts Tax Fund includes the transit portion of gross receipts tax revenue when it is received, including revenues for farebox, special projects, and advertising. During the year ended June 30, 2020, Rio Metro also reported transit operations in this fund. When Rio Metro allocates revenue at the end of each month, the Transit GRT revenue is allocated to the various transit funds as needed to cover expenses. As of June 30, 2020, the fund balance in the Transit GRT Fund was \$10.8 million, an increase of \$1.6 million from June 30, 2019.

FTA Direct (Fund 2100)

The FTA Direct Fund includes federal funding received directly from the Federal Transportation Administration. Funds may be used for capital projects to finance the planning, acquisition, construction, cost-effective lease, improvement, and maintenance of equipment and facilities for use in transit. Funds may also be used to finance operating costs in urbanized areas with populations under 200,000 people. During the year ended June 30, 2020, expenditures in the FTA Direct Fund approximated \$65.6 million and there is no fund balance as of June 30, 2020.

Other Federal (Fund 3100)

The Other Federal Fund includes federal funding received for special projects. During the year ended June 30, 2020, expenditures in the Other Federal fund approximated \$51.7 thousand and there is no fund balance as of June 30, 2020.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGET AMOUNTS

The difference between the original budget and final budget is primarily a result of the following:

- Rail Program revenues – the federal portion of the original rail budget included both federal fiscal year 2019 and federal fiscal year 2020 anticipated FTA 5337 and FTA 5307 grant funds. These funds are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects actual grant funding reimbursed during the year for eligible expenses, and unused grant funding remains available in subsequent years. The budget was adjusted by approximately \$52.6 million to reflect match actual revenues.
- Rail Program expenditures –The budget was adjusted upward by \$5.0 million due to PTC.
- The overall Rail Program budget was originally based on the anticipation of beginning the PTC project during fiscal year 2019. The project was bid and awarded in fiscal year 2019, but the majority of revenues and expenditures related to the project will be realized in fiscal year 2020 and fiscal year 2021.
- Transit Program revenues – the federal portion of the original transit budget included both federal fiscal year 2019 and federal fiscal year 2020 federal grant funds, which are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects the actual grant funding reimbursed during the year for eligible expenses, and unused grant funding remains available in subsequent years. The budget was adjusted by approximately \$6.2 million to reflect these decreases.
- Transit Program expenditures – The federal portion of the original transit expenditure budget includes federal grant funds which are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects the actual grant funding expended during the year for eligible expenses, and unused grant funding remains available in subsequent years. The original budgets were adjusted to actual expenditures, which decreased by approximately \$2.3 million due primarily to budgeted projects which did not materialize this fiscal year.

FUND BALANCES

As of June 30, 2020, governmental fund balances are summarized as follows:

- The fund balance in the General Fund remained the same as June 30, 2019 with a fund balance of \$900,002 as of June 30, 2020.
- The fund balance in the Rail GRT Fund increased by \$2,663,474 resulting in a fund balance of \$7,561,821 as of June 30, 2020.
- The fund balance in the Transit GRT Fund increased by \$1,592,880 resulting in a fund balance of \$10,839,973 as of June 30, 2020.
- The fund balance in the FTA Direct Fund remained the same as June 30, 2019 with no fund balance as of June 30, 2020.
- The fund balance in the Other Federal Fund remained the same as June 30, 2019 with no fund balance as of June 30, 2020.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2020

CAPITAL ASSETS

Rio Metro's net investment in capital assets as of June 30, 2020 totaled \$3,019,214. Capital assets consist of buildings, vehicles and equipment. Depreciation expense of \$401,962 was recorded in the current year. Additions of \$998,628 were added during the year ended June 30, 2020, consisting of building, software, vehicles, and equipment.

DEBT

As of June 30, 2020, Rio Metro had total debt outstanding of \$10,900,000. This amount comprises the loan with the New Mexico Department of Transportation.

ECONOMIC FACTORS

The primary source of funding for Rio Metro is the Regional Transit GRT. While this tax is dependent on the state of the economy, Rio Metro is confident that there will be sufficient funding available to operate the New Mexico Rail Runner Express and provide transit services in the region. Revenues from federal programs are expected to remain relatively consistent from fiscal year 2020 to 2021.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Rio Metro's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, 809 Copper Avenue NW, Albuquerque, NM 87102.

Rio Metro Regional Transit District Statement of Net Position

	June 30, 2020
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,675,323
Accounts receivable	19,485,824
Total current assets	<u>29,161,147</u>
Capital assets, net of accumulated depreciation	<u>3,019,214</u>
TOTAL ASSETS	<u>\$ 32,180,361</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 7,909,860
Note payable	<u>10,900,000</u>
Total liabilities	<u>18,809,860</u>
NET POSITION	
Net investment in capital assets	3,019,214
Restricted	20,351,285
Unrestricted	<u>(9,999,998)</u>
Total net position	<u>13,370,501</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 32,180,361</u>

Rio Metro Regional Transit District Statement of Activities

Functions/ Programs	Year Ended June 30, 2020			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Program Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government				
Commuter rail activities	\$ 77,675,480	\$ 3,394,083	\$ 52,327,133	\$ (21,954,264)
Transit activities	<u>15,305,404</u>	<u>42,440</u>	<u>4,429,612</u>	<u>(10,833,352)</u>
	<u>\$ 92,980,884</u>	<u>\$ 3,436,523</u>	<u>\$ 56,756,745</u>	(32,787,616)
GENERAL REVENUES				
New Mexico gross receipts taxes				<u>28,778,577</u>
CHANGE IN NET POSITION				(4,009,039)
NET POSITION				
Beginning of year				<u>17,379,539</u>
End of year				<u>\$ 13,370,500</u>

**Rio Metro Regional Transit District
Balance Sheet
June 30, 2020**

	Special Revenue Funds					Other Governmental Funds	Total Governmental Funds
	General #1000	GRT-Rail #1200	GRT-Transit #1300	FTA Direct #2100	Other Federal #3100		
ASSETS							
Cash and cash equivalents	\$ 9,675,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,675,323
Accounts receivable	188	3,427,325	2,219,914	10,933,334	1,329	2,903,734	19,485,824
Due from other funds	-	4,976,474	9,488,946	-	2,000,000	1,853,519	18,318,939
TOTAL ASSETS	\$ 9,675,511	\$ 8,403,799	\$ 11,708,860	\$ 10,933,334	\$ 2,001,329	\$ 4,757,253	\$ 47,480,086
LIABILITIES							
Accounts payable	\$ -	\$ 841,978	\$ 868,887	\$ 4,010,883	\$ 2,001,329	\$ 186,783	\$ 7,909,860
Due to other funds	8,775,509	-	-	6,922,451	-	2,620,979	18,318,939
Total liabilities	8,775,509	841,978	868,887	10,933,334	2,001,329	2,807,762	26,228,799
FUND BALANCES							
Restricted	-	7,561,821	10,839,973	-	-	1,949,491	20,351,285
Unassigned	900,002	-	-	-	-	-	900,002
Total fund balances	900,002	7,561,821	10,839,973	-	-	1,949,491	21,251,287
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,675,511	\$ 8,403,799	\$ 11,708,860	\$ 10,933,334	\$ 2,001,329	\$ 4,757,253	\$ 47,480,086
RECONCILIATION							
Total fund balances							\$ 21,251,287
Amounts reported for governmental activities in the statement of net position are different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund							3,019,214
Notes payable are not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the statement of net position							(10,900,000)
Net position							\$ 13,370,501

Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020

	Special Revenue Funds					Other Governmental Funds	Total Governmental Funds
	General #1000	GRT-Rail #1200	GRT-Transit #1300	FTA Direct #2100	Other Federal #3100		
REVENUES							
Intergovernmental							
Federal	\$ -	\$ -	\$ -	\$ 51,705,596	\$ 45,506	\$ 1,302,160	\$ 53,053,262
State	-	-	-	-	-	2,532,970	2,532,970
New Mexico Gross Receipts Tax	-	15,667,229	13,111,348	-	-	-	28,778,577
Farebox	-	1,344,128	3,542	21,125	-	17,772	1,386,567
BNSF/Amtrak	-	2,049,955	-	-	-	-	2,049,955
Special projects and other	-	431,980	196,772	-	-	541,762	1,170,514
Total revenues	-	19,493,292	13,311,662	51,726,721	45,506	4,394,664	88,971,845
EXPENDITURES							
Operating	-	13,953,743	8,344,266	65,539,237	51,692	4,778,434	92,667,372
Capital outlay	-	-	810,500	96,258	-	91,870	998,628
Total expenditures	-	13,953,743	9,154,766	65,635,495	51,692	4,870,304	93,666,000
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	5,539,549	4,156,896	(13,908,774)	(6,186)	(475,640)	(4,694,155)
OTHER FINANCING SOURCES/USES							
Operating transfers in	-	10,127,680	8,954,451	13,908,774	6,186	571,612	33,568,703
Operating transfers out	-	(13,003,755)	(11,518,467)	-	-	(9,046,481)	(33,568,703)
NET CHANGE IN FUND BALANCE	-	2,663,474	1,592,880	-	-	(8,950,509)	(4,694,155)
FUND BALANCE							
Beginning of year	900,002	4,898,347	9,247,093	-	-	10,900,000	25,945,442
End of year	\$ 900,002	\$ 7,561,821	\$ 10,839,973	\$ -	\$ -	\$ 1,949,491	\$ 21,251,287
RECONCILIATION							
Net change in fund balance							\$ (4,694,155)
Amounts reported for governmental activities in the statement of net position are different because:							
Depreciation is not recorded as a financial use							(401,962)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported							998,628
Principal payments on capital lease obligations							88,451
Change in net position							\$ (4,009,038)

Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and
Actual – Transit Program
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 8,755,535	\$ 8,755,535	\$ 3,979,203	\$ (4,776,332)
New Mexico gross receipts tax	14,081,880	14,081,880	13,111,348	(970,532)
Farebox	90,000	90,000	42,441	(47,559)
State and other	900,000	900,000	450,409	(449,591)
Total revenues	<u>23,827,415</u>	<u>23,827,415</u>	<u>17,583,401</u>	<u>(6,244,014)</u>
EXPENDITURES				
Current				
Operating	17,277,115	17,277,115	14,861,318	(2,415,797)
Noncurrent				
Capital outlay	1,053,371	1,053,371	1,129,203	75,832
Total expenditures	<u>18,330,486</u>	<u>18,330,486</u>	<u>15,990,521</u>	<u>(2,339,965)</u>
Excess of revenues over expenditures	<u>5,496,929</u>	<u>5,496,929</u>	<u>1,592,880</u>	<u>(3,904,049)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	-	11,518,467	11,518,467
Transfers out	-	-	(11,518,467)	(11,518,467)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	5,496,929	5,496,929	1,592,880	(3,904,049)
FUND BALANCE				
Beginning of year	<u>10,147,094</u>	<u>10,147,095</u>	<u>10,147,095</u>	-
End of year	<u>\$ 15,644,023</u>	<u>\$ 15,644,024</u>	<u>\$ 11,739,975</u>	<u>\$ (3,904,049)</u>
RECONCILIATION TO FUND BALANCES				
General fund			\$ 900,002	
GRT-Transit fund			<u>10,839,973</u>	
Ending fund balance per financial statements			<u>\$ 11,739,975</u>	

Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and
Actual – Rail Program
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 84,106,809	\$ 84,106,809	\$ 49,074,059	\$ (35,032,750)
New Mexico gross receipts tax	22,665,971	22,665,971	15,667,229	(6,998,742)
Farebox	2,000,000	2,000,000	1,344,128	(655,872)
BNSF/Amtrak	2,200,000	2,200,000	2,049,955	(150,045)
State and other	13,050,000	13,050,000	3,253,074	(9,796,926)
Total revenues	<u>124,022,780</u>	<u>124,022,780</u>	<u>71,388,445</u>	<u>(52,634,335)</u>
EXPENDITURES				
Current				
Operating	27,209,000	27,209,000	29,777,660	2,568,660
Noncurrent				
Capital outlay	45,491,099	45,491,099	47,897,820	2,406,721
Total expenditures	<u>72,700,099</u>	<u>72,700,099</u>	<u>77,675,480</u>	<u>4,975,381</u>
Excess of revenues over expenditures	<u>51,322,681</u>	<u>51,322,681</u>	<u>(6,287,035)</u>	<u>(57,609,716)</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	-	22,050,236	22,050,236
Transfers out	-	-	(22,050,236)	(22,050,236)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	51,322,681	51,322,681	(6,287,035)	(57,609,716)
FUND BALANCE				
Beginning of year	15,798,347	15,798,347	15,798,347	-
End of year	<u>\$ 67,121,028</u>	<u>\$ 67,121,028</u>	<u>\$ 9,511,312</u>	<u>\$ (57,609,716)</u>
RECONCILIATION TO FUND BALANCES				
GRT-Rail fund			\$ 7,561,821	
State SIB fund			1,853,519	
Other fund			95,972	
Ending fund balance per financial statements			<u>\$ 9,511,312</u>	

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

Rio Metro Regional Transit District (Rio Metro) is a multijurisdictional public transportation system, established under the authority of the Regional Transit District Act (Chapter 23, Article 25 NMSA 1978). Rio Metro provides economical transportation alternatives for the residents of Bernalillo, Sandoval and Valencia counties. Rio Metro was originally formed and certified by the New Mexico State Transportation Commission on March 29, 2005, using the name Mid Region Transit District. For the first few years, the transit district operated under a Federal Transit Administration planning grant awarded to the Mid-Region Council of Governments. The transit district's name was changed to Rio Metro Regional Transit District on June 25, 2008, and Rio Metro received its own federal tax identification number on October 2, 2008. Rio Metro began, as a separate legal entity, keeping its financial records independent of the Mid-Region Council of Governments beginning July 1, 2009.

Rio Metro provides a variety of transportation services to residents of Bernalillo, Sandoval and Valencia counties. Rio Metro operates the New Mexico Rail Runner Express (NMRX) through several agreements with the New Mexico Department of Transportation (NMDOT), which includes limited funding for capital maintenance and improvements. NMRX capital assets, such as the infrastructure and rail engines and cars, are owned by NMDOT. NMRX operations are funded primarily from Federal Transit Administration grant funds and Regional Transit Gross Receipts Tax funds, fare box proceeds and Burlington Northern Santa Fe/Amtrak gross ton mileage fees.

Rio Metro and Mid-Region Council of Governments of New Mexico (MRCOG), a related governmental entity, have entered into a Professional Services Agreement, through which MRCOG is the administrative entity provides personnel, insurance, documentation, administration, monitoring, oversight, and other fiscal services until such time as Rio Metro has the organizational and financial capability to assume these responsibilities. Rio Metro contracts with Herzog Companies, Inc. to manage and operate the NMRX. Rio Metro has no employees.

The accounting policies of Rio Metro conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

In accordance with GAAP criteria, Rio Metro is considered a stand-alone government and, as such, is the reporting entity and has no component units.

Basic Financial Statements

The basic financial statements include both government-wide (based on Rio Metro as a whole) and fund financial statements. The reporting model focus is on either Rio Metro as a whole or major individual funds (within the fund financial statements). The government-wide statements are reflected on an economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations.

Rio Metro Regional Transit District Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

The financial transactions of Rio Metro are recorded in individual funds, each of which is considered a separate accounting entity. The various fund types are reported in the fund financial statements, as follows:

Governmental Funds

Governmental funds are used to account for Rio Metro's expendable financial resources and related liabilities. The measurement focus is based upon determination of changes in financial position. The following are Rio Metro's governmental fund types:

General Fund (1000) – The General Fund is the general operating fund of Rio Metro. It is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major special revenue funds presented in the fund financial statements include the following:

- **Gross Receipts Tax – Rail (1200)** – Rail fund where Rio Metro includes the rail portion of the New Mexico Regional Transit Gross Receipts Tax (GRT) revenue when it is received. Rail operations are also reported in this fund. The use of the revenue in this fund is restricted by the ordinances in the counties where the GRT revenue is collected. When Rio Metro allocates revenue at the end of the month, the Rail GRT revenue is allocated to the various rail funds as needed to cover expenses.
- **Gross Receipts Tax – Transit (1300)** – Transit fund where Rio Metro includes the transit portion of New Mexico Regional Transit Gross Receipts Tax (GRT) revenue when it is received. The use of the revenue in this fund is restricted by the ordinances in the counties where the GRT revenue is collected. Transit operations are also reported in this fund. When Rio Metro allocates revenue at the end of the month, the Transit GRT revenue is allocated to the various transit funds as needed to cover expenses.
- **FTA Direct (2100)** – Federal funding received directly from the Federal Transit Administration (FTA) for various projects. The use of the revenue in this fund is restricted by the related grant agreements and federal regulations.
- **Other Federal (3100)** – Federal funding received for special projects.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual and both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally, sixty (60) days. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GAAP, the provider should recognize liabilities and expenses, and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient. Grant revenues are not recognized until eligibility requirements are met.

Derived tax revenue, the New Mexico regional transit GRT, is recognized net of estimated refunds and uncollectible amounts, in the period when the exchange transaction occurred or when the resources were received, whichever occurs first. GRT received after sixty (60) days as a result of delinquent accounts is not known or able to be estimated, or measured and, therefore, is not recorded.

Contributions and other monies held by other state and local agencies are recorded, as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Capital Assets

Capital assets acquired are recorded as expenditures in the funds which finance the acquisitions and are capitalized at cost (except for those related to the NMRX for which DOT holds title) and depreciated over their estimated useful lives (no salvage value) in the government-wide financial statements. Contributed capital assets are recorded at their estimated acquisition value at the time received. Additions, including software, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized, and interest is not capitalized in regards to the Rio Metro's capital assets. Rio Metro's capitalization policy, the dollar value above which asset acquisitions are added to the capital assets, is \$5,000 per Section 12-6-10, NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Software	3-5 years
Vehicles and equipment	5-10 years
Building	40 years

Rio Metro did not own any infrastructure assets as of June 30, 2020.

Rio Metro Regional Transit District Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

Rio Metro's Executive Director approves an overall budget by project fund for Rio Metro which is adopted by the Board. Rio Metro is required to prepare budgets for each program for submission directly to that program's funding source. In addition, it submits the budgets to the Department of Finance and Administration Local Government Division (DFA-LGD) for concurrence. Each funding's source has its own requirements as to the timing of budget preparation and interim reports, line items and categories to be used and amounts to be included. Some require a report of grantor expenditures only, while others require a report of total program expenditures. The budgets, used by Rio Metro to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, Rio Metro approves its budget by total expenditures by program. Rio Metro has two programs: Rail Program and Transit Program. The budgetary comparisons for these two programs include the budget to actual analysis for the general fund and all other governmental funds.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with GAAP. There are no differences between the GAAP basis and the budgetary basis because both are modified accrual.

The time at which appropriations lapse is at the end of the fiscal year. The level of classification detail at which expenditures may not legally exceed appropriations is at the program level as approved by the Board of Directors. The legally permissible methods for amending the initially approved budget require approval of the Board of Directors and concurrence of DFA-LGD.

Due To and From Other Funds

Due from other funds represent project costs paid in anticipation of reimbursements from grants in the Special Revenue funds. When the reimbursements from grants are received, the interfund receivables are repaid. Interfund activities are eliminated in determining government-wide financial statements.

Receivables

Grant reimbursements receivable represent qualified expenditures made under grant agreements for which reimbursements are due but not yet received. Rio Metro also records receivables for the New Mexico gross receipts taxes owed by taxpayers as of year-end and received within sixty (60) days of year-end. An allowance for doubtful accounts is not provided for, since most receivables are from the federal, state, or local governments and are deemed to be fully collectible.

Fund Balance

In the fund level financial statements, fund balance categories represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with GAAP fund balance reporting and governmental fund type definitions, Rio Metro classifies governmental fund balances as follows:

- Non-spendable – fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

- Committed – fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (Rio Metro's Board of Directors) and does not lapse at year-end.
- Assigned – fund balance amounts that are intended to be used for the specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the management.
- Unassigned – fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Net Position

Net position includes the following components:

Net investment in capital assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – The component of net position that reports the difference between assets and liabilities of Rio Metro that consists of assets with constraints placed on their use that are legally enforceable by legislation and the like to be used only for the purposes specified.

Unrestricted – The difference between the assets and liabilities that is not reported in the net investment in capital assets or restricted net position.

It is the Rio Metro's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognition of inflows of resources or outflows of resources based on the payment provisions of the lease contract. Under the Statement, a lessee will recognize a lease liability and an intangible right-to-use lease asset, and a lessor will recognize a lease receivable and a deferred inflow of resources. Management is evaluating the effect that the implementation of this Statement will have on Rio Metro's financial statements.

Rio Metro Regional Transit District Notes to Financial Statements

Note 2 – Deposit and Investment Accounts

Rio Metro invests its funds in accordance with state statutes which require that financial institutions pledge collateral of federal or state securities whose market value is equal to at least 50% of the deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage made by Rio Metro with a financial institution. Also, Rio Metro, in accordance with state statutes, may only have deposits in financial institutions, or invest in federal direct obligations or the New Mexico State Treasurer's Local Government Pooled Investments.

Securities pledged as collateral which are obligations of the State of New Mexico, its agencies, institutions, counties or municipalities, or other subdivisions are accepted at par value; all other securities are accepted at market value. No security is required for the deposit of public money that is insured by the FDIC, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

Custodial credit risk is the risk that in the event of a bank failure, Rio Metro's deposits may not be returned to it. Rio Metro's deposit policy, in accordance with state statutes, is to collateralize one half of the uninsured public money in each deposit account.

As of June 30, 2020, the amount of Rio Metro's bank balance of the demand deposit totaling \$9,909,047 was exposed to custodial credit risk as follows:

DEMAND DEPOSITS	
Uninsured and uncollateralized	\$ 4,279,464
Uninsured and collateral held by pledging bank's trust department not in Rio Metro's name	5,379,583
Covered by FDIC insurance	<u>250,000</u>
	<u>\$ 9,909,047</u>

Following are the descriptions of cash and cash equivalents held as of June 30, 2020:

CASH AND CASH EQUIVALENTS	
Demand deposit - Wells Fargo Bank	\$ 9,909,047
Outstanding checks	<u>(233,724)</u>
	<u>\$ 9,675,323</u>

Rio Metro Regional Transit District

Notes to Financial Statements

Note 3 – Accounts Receivable

Accounts receivable consist of the following as of June 30, 2020:

State and federal grant receivables	\$ 13,833,288
GRT receivables	4,984,699
Other	<u>667,837</u>
	<u>\$ 19,485,824</u>

Note 4 – Interfund Receivables/Payables and Interfund Transfers

Interfund accounts were as follows as of June 30, 2020:

	<u>Due To</u>	<u>Due From</u>
General Fund #1000	\$ 8,775,509	\$ -
GRT Rail Fund #1200	-	4,976,474
GRT Transit Fund #1300	-	9,488,946
FTA Direct Fund #2100	6,922,451	-
FTA Capital Investment Grants #2103	5,488	-
FTA through NMDOT Fund #2500	201,438	-
Other Federal Fund #3100	-	2,000,000
State Fund #4100	2,022,820	-
State SIB Fund #4300	-	1,853,519
Other Fund #6100	<u>391,233</u>	<u>-</u>
	<u>\$ 18,318,939</u>	<u>\$ 18,318,939</u>

Interfund accounts occur because expenditures are paid for by the General Fund because the Special Revenue funds are on a reimbursement basis. When the Special Revenue funds receive the reimbursements from the grantors, the General Fund is repaid. Management expects all of the interfund balances to be repaid within one year.

Interfund transfers made to utilize funds for transit and rail operations were as follows:

	<u>Year Ended June 30, 2020</u>	
	<u>In</u>	<u>Out</u>
GRT Rail Fund #1200	\$ 10,127,680	\$ 13,003,755
GRT Transit Fund #1300	8,954,451	11,518,467
FTA Direct Fund #2100	13,908,774	-
FTA Capital Investment Grants #2103	6,591	-
FTA through NMDOT #2500	543,222	-
Other Federal #3100	6,186	-
FHWA Congestion Air Quality #3101	-	9,046,481
Other #6100	<u>21,799</u>	<u>-</u>
	<u>\$ 33,568,703</u>	<u>\$ 33,568,703</u>

Rio Metro Regional Transit District Notes to Financial Statements

Note 5 – Capital Assets

Changes in capital assets are summarized as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2020</u>
NONDEPRECIABLE ASSETS				
Land - El Pueblo	\$ 98,373	\$ -	\$ -	\$ 98,373
DEPRECIABLE ASSETS				
Building	1,262,300	-	-	1,262,300
Building - El Pueblo	279,986	-	-	279,986
Building - Idalia	-	810,500	-	810,500
Software	715,528	50,000	-	765,528
Vehicles and equipment	4,192,739	138,128	-	4,330,867
Total depreciable assets	<u>6,450,553</u>	<u>998,628</u>	<u>-</u>	<u>7,449,181</u>
TOTAL ASSETS	<u>\$ 6,548,926</u>	<u>\$ 998,628</u>	<u>\$ -</u>	<u>\$ 7,547,554</u>
ACCUMULATED DEPRECIATION				
Building	\$ (299,795)	\$ (31,558)	\$ -	\$ (331,353)
Building - El Pueblo	(73,727)	(11,199)	-	(84,926)
Building - Idalia	-	(2,802)	-	(2,802)
Software	(645,730)	(59,672)	-	(705,402)
Vehicles and equipment	(3,107,126)	(296,731)	-	(3,403,857)
Total accumulated depreciation	<u>(4,126,378)</u>	<u>(401,962)</u>	<u>-</u>	<u>(4,528,340)</u>
NET DEPRECIABLE ASSETS	<u>2,324,175</u>	<u>596,666</u>	<u>-</u>	<u>2,920,841</u>
NET CAPITAL ASSETS	<u>\$ 2,422,548</u>	<u>\$ 596,666</u>	<u>\$ -</u>	<u>\$ 3,019,214</u>

Depreciation expense for the year ended June 30, 2020 totaled \$401,962 and was expensed to the transit activities function in the statement of activities.

Note 6 – Insurance Coverage

Rio Metro is subject to various risks of loss, which are covered through the purchase of commercial insurance and participation in the City of Albuquerque's Risk Management Pool. Since Rio Metro employees are covered under MRCOG, they are covered by MRCOG's insurance. The following insurance coverage was in effect as of June 30, 2020:

<u>Insurer and Policy Type</u>	<u>Term</u>	<u>Coverage</u>
New Mexico Mutual (Worker's Compensation)	2/12/10 – 2/12/21	Injury by accident (\$1,000,000 each accident). Bodily injury by disease (\$1,000,000 each employee). Bodily injury by disease (\$1,000,000 policy limit)

Rio Metro Regional Transit District Notes to Financial Statements

Note 6 – Insurance Coverage (continued)

Allied World Public Officials Liability	9/29/19 – 9/29/20	\$1,000,000 each occurrence
Scottsdale Insurance Co. General Liability	9/29/19 – 9/29/20	\$1,000,000 each occurrence
Allianz Global Corporate & Specialty Property	7/1/19 – 7/1/20	\$833,857 EDP Equipment & Software \$424,154 Business Personal Property, other limitations apply
National Union Fire Insurance Co.	7/1/19 – 7/1/20	\$1,000,000 Employee theft/fraud
City of Albuquerque		Covered under limits of the Tort
Risk Management Fund Auto Vehicles Liability – MRCOG Owned	Continuous	Claims Act of NM \$1,000,000 Property damage \$1,000,000 Per person for single occurrence
Scottsdale Insurance Co. Commercial Automobile	11/10/19 – 11/10/20	\$1,000,000 Single limit \$5,000 Medical payments/any one person \$1,000,000 Uninsured motorist Collision – Covered Comprehensive – Covered
Scottsdale Insurance Co. Commercial General Liability	11/10/19 – 11/10/20	\$2,000,000 general aggregate \$2,000,000 property damage/ each occurrence \$1,000,000 Personal & advertising injury \$5,000 Medical payments/person \$500,000 Damage to premises
Scottsdale Insurance Co. Excess Liability	11/10/19 – 11/10/20	\$2,000,000 annual aggregate \$1,000,000 each occurrence

Rio Metro Regional Transit District Notes to Financial Statements

Note 6 – Insurance Coverage (continued)

According to the Memorandum of Agreement between Rio Metro, NMDOT, and MRCOG, Rio Metro and NMDOT have the joint duty of paying for all premiums for all property insurance and commercial liability insurance policies secured by the NMDOT to cover the NMRX, including liability insurance policies to fully insure Rio Metro and MRCOG from all risks and liability arising from, or on account of, Rio Metro's operation, maintenance, and administration of the NMRX or any other activity performed by Rio Metro with respect to the NMRX, including the selection, procurement, and oversight of the service of an operator and manager of the daily operations of the NMRX and NMDOT's participation in the NMRX. To satisfy these requirements, NMDOT obtained coverage through Risk Management Division of the State of New Mexico General Services Department and paid the premiums for the period July 1, 2020 through June 30, 2021.

Note 7 – Risks and Contingencies

Amounts received or receivable from the grantors are subject to audit and adjustment by those grantors. Any disallowed claims, including amounts already collected, may constitute a liability of Rio Metro. The amount, if any, of expenditures which may be disallowed by those grantors cannot be determined at this time, although Rio Metro's management expects such amounts, if any, to be immaterial.

In the normal course of business, passengers file claims against NMDOT and Rio Metro related to the operation of its rail and transit activities. In the opinion of Rio Metro's management, such claims will not have a material adverse financial impact on Rio Metro as they are covered by insurance. The ultimate outcome of these claims, however, cannot be determined with certainty.

During March 2020, the World Health Organization classified a new strain of coronavirus that was spreading globally (COVID-19) as a pandemic, triggering volatility in financial markets and a negative impact on the global and local economy. Rio Metro is monitoring the duration and potential impact of COVID-19 on Rio Metro's net position. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

Note 8 – Capital Lease

Rio Metro held a lease purchase agreement with Sandoval County for the purchase of land and building in the amount of \$1,262,300. Rio Metro had an option to purchase the property for the outstanding balance anytime during the term of the lease. The remaining capital lease obligation outstanding of \$88,451 was paid during the year ended June 30, 2020.

A summary of changes in the capital lease obligation is as follows:

<u>June 30, 2019</u>	<u>Payments</u>	<u>June 30, 2020</u>
<u>\$ 88,451</u>	<u>\$ 88,451</u>	<u>\$ -</u>

Rio Metro Regional Transit District

Notes to Financial Statements

Note 9 – New Mexico Department of Transportation Loan

On April 17, 2019, Rio Metro entered into a loan agreement with NMDOT to implement a federally compliant Positive Train Control (PTC) system on the NMRX rail system. Per the terms of the agreement Rio Metro received \$10,900,000 in loan proceeds under a promissory note bearing interest at 1%. The loan requires Rio Metro to pay interest only for three years commencing on July 1, 2019, and thereafter on the first day of July in each of the years 2020 and 2021. Rio Metro will then pay annual principal and interest payments, commencing on July 1, 2022 and on or before the 1st day of July and every year thereafter until July 1, 2036, the maturity date.

As of June 30, 2020, the annual debt service requirements on the note payable are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ -	\$ 109,000
2022	677,149	109,000
2023	683,921	102,229
2024	690,760	95,389
2025	697,668	88,482
2026-2030	3,594,392	336,352
2031-2035	3,777,744	152,902
Thereafter	778,366	7,784
	<u>\$ 10,900,000</u>	<u>\$ 1,001,138</u>

Note 10 – Operating Leases

Rio Metro has entered into various operating leases, primarily on a month-to-month basis. Rent expenditures were \$380,657 for the year ended June 30, 2020.

Note 11 – Operations, Maintenance, and Management Services Agreement

Rio Metro has entered into an agreement with the MRCOG for operating services. MRCOG handles all payroll processing for Rio Metro and then invoices them for their share. Therefore, there is no payroll on Rio Metro's books. MRCOG also provides operational and administrative support, such as office space, computer equipment and technical support, vehicles and vehicle maintenance, human resources, legal services, insurance, and other fiscal services. MRCOG pays expenses on behalf of Rio Metro then invoices Rio Metro for these expenditures. Rio Metro made payments to MRCOG totaling \$7,800,787 for the year ended June 30, 2020.

Rio Metro Regional Transit District Notes to Financial Statements

Note 11 – Operations, Maintenance, and Management Services Agreement (continued)

Herzog Transit Services, Inc. is the major service provider contracted through September 22, 2019 with Rio Metro's administrative entity, MRCOG, to operate and maintain the New Mexico Rail Runner Express. This vendor contract may be terminated by MRCOG for cause by giving written notice to Herzog ten days prior to the effective date of termination. MRCOG may also terminate the contract for convenience at any time by giving at least twenty days' notice in writing to Herzog. The amount paid from the Commuter Rail Operations fund during the year ended June 30, 2020 was \$22,208,438.

Note 12 – Related Entity Receivables and Payables

The following entities are members or have representation on the Board of Directors of Rio Metro:

MRCOG. Rio Metro's accounts payable balance to MRCOG was \$1,396,339 at June 30, 2020.

Regional Transit Gross Receipts Taxes. A portion of the taxes receivable balance of \$5,099,939 at June 30, 2020 is comprised of taxes receivables from Bernalillo, Sandoval, and Valencia counties, members of Rio Metro. Rio Metro had revenues of \$26,222,696 relating to GRT for the year ended June 30, 2020.

City of Albuquerque. Rio Metro's accounts payable balance to the City of Albuquerque was \$1,787 at June 30, 2020. Rio Metro had expenditures of \$4,455,789 relating to the City of Albuquerque for the year ended June 30, 2020.

City of Belen. Rio Metro's accounts payable balance to the City of Belen was \$31 at June 30, 2020. Rio Metro had expenditures of \$375 relating to the City of Belen for the year ended June 30, 2020.

City of Rio Rancho. Rio Metro's accounts payable balance to the City of Rio Rancho was \$1,560 at June 30, 2020. Rio Metro had expenditures of \$47,308 relating to the City of Rio Rancho for the year ended June 30, 2020.

City of Santa Fe. Rio Metro's accounts payable balance to the City of Santa Fe was \$25 at June 30, 2020. Rio Metro had expenditures of \$288 relating to the City of Santa Fe for the year ended June 30, 2020.

Village of Los Lunas. Rio Metro's accounts payable balance to the Village of Los Lunas was \$10,462 at June 30, 2020. Rio Metro had expenditures of \$362,152 relating to the Village of Los Lunas for the year ended June 30, 2020.

Town of Bernalillo. Rio Metro's accounts receivable balance from the Town of Bernalillo was \$5,109 at June 30, 2020. Rio Metro's accounts payable balance to the Town of Bernalillo was \$126 at June 30, 2020. Rio Metro had revenues of \$256,098 and expenditures of \$1,719 relating to the Town of Bernalillo for the year ended June 30, 2020.

Sandoval County. Rio Metro's accounts payable balance to Sandoval County was \$1,800 at June 30, 2020. Rio Metro had expenditures of \$80,310 relating to Sandoval County for the year ended June 30, 2020.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 13 – Reconciliation of Budgetary Comparisons

The budgetary comparisons are prepared at the program level. The following schedule reconciles the program budget amount to the fund financial statements for the year ended June 30, 2020.

	<u>Transit Program</u>	<u>Rail Program</u>	<u>Reclassifications Eliminations</u>	<u>Financial Statements</u>
Revenues	\$ 17,583,401	\$ 71,388,445	\$ -	\$ 88,971,846
Expenditures	(15,990,521)	(77,675,481)	-	(93,666,002)
Transfers in	11,518,467	22,050,236	(33,568,703)	-
Transfers out	<u>(11,518,467)</u>	<u>(22,050,236)</u>	<u>33,568,703</u>	<u>-</u>
Change in fund balance	<u>\$ 1,592,880</u>	<u>\$ (6,287,036)</u>	<u>\$ -</u>	<u>\$ (4,694,156)</u>

Rio Metro Regional Transit District
Description of Non-Major Special Revenue Funds
Year Ended June 30, 2020

Special Revenue Funds

Special revenue funds are used to account for various grants from federal, state, and local agencies and other sources which are restricted by the granting agency to use for expenditures for specified purposes. The following is a description of the purpose of the non-major special revenue funds.

FTA 5309 Capital Investment Grants (No. 2103) – Federal funding received directly from FTA. Provides funding for capital investments.

FTA through NMDOT (No. 2500) – Federal funding received from the New Mexico Department of Transportation (NMDOT). Provides funding for various FTA grants.

State (No. 4100) – State funding from the New Mexico Department of Transportation for various projects.

Other (No. 6100) – Local funding for various projects.

Debt Service Fund

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The following is a description of the purpose of the non-major debt service fund.

State SIB (No. 4300) – Accounts for the resources accumulated for and the payment of long-term debt principal, interest, and related costs of the note payable to the New Mexico Department of Transportation (NMDOT).

**Rio Metro Regional Transit District
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2020**

	FTA 5309 Capital Investment #2103	FTA thru NMDOT #2500	State #4100	State SIB #4300	Other #6100	Total
ASSETS						
Accounts receivable	\$ 8,336	\$ 345,676	\$ 2,034,463	\$ -	\$ 515,259	\$ 2,903,734
Due from other funds	-	-	-	1,853,519	-	1,853,519
TOTAL ASSETS	\$ 8,336	\$ 345,676	\$ 2,034,463	\$ 1,853,519	\$ 515,259	\$ 4,757,253
LIABILITIES						
Accounts payable	\$ 2,848	\$ 144,238	\$ 11,643	\$ -	\$ 28,054	\$ 186,783
Due to other funds	5,488	201,438	2,022,820	-	391,233	2,620,979
Total liabilities	8,336	345,676	2,034,463	-	419,287	2,807,762
FUND BALANCES						
Restricted	-	-	-	1,853,519	95,972	1,949,491
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,336	\$ 345,676	\$ 2,034,463	\$ 1,853,519	\$ 515,259	\$ 4,757,253

Rio Metro Regional Transit District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2020

	FTA 5309 Capital Investment #2103	FTA thru NMDOT #2500	State #4100	State SIB #4300	Other #6100	Total
REVENUES						
Intergovernmental						
Federal	\$ 26,366	\$ 1,154,151	\$ 121,643	\$ -	\$ -	\$ 1,302,160
State	-	-	2,022,820	-	510,150	2,532,970
Farebox	-	17,772	-	-	-	17,772
Special projects and other	-	-	-	-	541,762	541,762
Total revenues	<u>26,366</u>	<u>1,171,923</u>	<u>2,144,463</u>	<u>-</u>	<u>1,051,912</u>	<u>4,394,664</u>
EXPENDITURES						
Operating	32,957	1,623,275	2,144,463	-	977,739	4,778,434
Capital outlay	-	91,870	-	-	-	91,870
Total expenditures	<u>32,957</u>	<u>1,715,145</u>	<u>2,144,463</u>	<u>-</u>	<u>977,739</u>	<u>4,870,304</u>
Excess of revenue over expenditures	(6,591)	(543,222)	-	-	74,173	(475,640)
OTHER FINANCING SOURCES						
Operating transfers in	6,591	543,222	-	-	21,799	571,612
Operating transfers out	-	-	-	(9,046,481)	-	(9,046,481)
CHANGE IN FUND BALANCE	-	-	-	(9,046,481)	95,972	(8,950,509)
FUND BALANCE						
Beginning of year	-	-	-	10,900,000	-	10,900,000
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,853,519</u>	<u>\$ 95,972</u>	<u>\$ 1,949,491</u>

Rio Metro Regional Transit District

Schedule of Pledged Collateral

June 30, 2020

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2020	Location of Safe keeper
Wells Fargo	FNMS	Bonds	5/1/2047	3140J6GJ0	\$ 1,341,647	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	8/1/2049	3140QBPJ1	1,251,225	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	10/1/2049	3140K0WP9	1,247,826	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	2/1/2047	3140FCTG3	1,065,425	Bank of New York Mellon
Wells Fargo	FEPC	Bonds	8/1/2049	3133KGHY7	305,683	Bank of New York Mellon
Wells Fargo	FEPC	Bonds	12/1/2045	3132A5EP6	151,548	Bank of New York Mellon
Wells Fargo	FEPC	Bonds	11/1/2045	3132A5EK7	11,385	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	12/1/2049	3140K0SR0	4,844	Bank of New York Mellon
Total pledged collateral					<u>\$ 5,379,583</u>	
Bank account balances						
Rio Metro demand deposit					<u>\$ 9,909,047</u>	
Total bank balances					9,909,047	
FDIC coverage					<u>250,000</u>	
Uninsured amount					<u>\$ 9,659,047</u>	
Collateral required at 50%					\$ 4,829,524	
Pledged collateral					<u>5,379,583</u>	
Excess collateral					<u>\$ 550,059</u>	

Rio Metro Regional Transit District Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

	Federal CFDA Number	Award Number	Federal Expenditures
U.S. Department of Transportation			
Federal Railroad Administration (FRA)			
Direct			
Railroad Safety Technology Grants (Section 105 PTC NMRX Project CRISI Grant)	20.321	NM-2019-013	\$ 25,987,529
			<u>25,987,529</u>
Federal Transit Administration (FTA)			
Federal Transit Cluster			
Direct			
Federal Transit - Capital Investment Grant (5309 Transit Asset Management System)	20.500	NM-04-0029	26,366
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 LU Bus Operations & Administration)	20.507	NM-2016-024	912,555
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 NMRX Preventative Maintenance)	20.507	NM-2019-016	4,433,163
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 NMRX Preventative Maintenance)	20.507	NM-2019-027	4,054,849
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 Community Transportation Services Operations)	20.507	NM-2019-009	111,166
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 SU Bus Operations & Administration)	20.507	NM-2019-012	814,460
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 NMRX Los Ranchos/Journal Center)	20.507	NM-2018-010	769,099
Federal Transit - Formula Grants (Urbanized Area Formula Program) (5307 Facility Improvement STP-U transfer)	20.507	NM-95-0021	4,614
State of Good Repair Grants Program (5337 NMRX Preventative Maintenance)	20.525	NM-2017-020	948,029
State of Good Repair Grants Program (5337 NMRX Preventative Maintenance)	20.525	NM-2019-020	2,833,272
State of Good Repair Grants Program (5337 NMRX Preventative Maintenance)	20.525	NM-2019-008	9,316,689
State of Good Repair Grants Program (5339 Bus Scheduling Software)	20.526	NM-2019-039	181,468
CARES Funding (5307 LU Bus Operations & Administration)	20.507	NM-2020-016	1,338,703
Total Federal Transit Cluster and Federal direct			<u>25,744,433</u>
Passed through State of New Mexico Department of Transportation			
Federal Highway Planning and Construction Cluster (Federal Highway Administration, FHWA)			
Statewide Transportation Improvement Program (Bike Share Program)	20.205	D15529	36,009
Statewide Transportation Improvement Program (Bike Share Program)	20.205	D15529	295
Highway Safety Improvement Program (Isleta Pueblo Quiet Zone)	20.205	D13744	9,201
Grade Rail - Highway Safety Improvement Projects (Section 130) - Alta Vista Crossing CN S100510	20.205	B05311S1	110,000
Grade Rail - Highway Safety Improvement Projects (Section 130) - 8th Street CN A301783	20.205	B05311S2	11,644
Total Highway Planning and Construction Cluster			<u>167,149</u>
Federal Transit Administration (FTA)			
Metropolitan Transportation Planning & State & Non-Metropolitan Planning & Research	20.505	M01637	5,640
Formula Grants for Rural Areas (Section 5311)	20.509	M01605	201,317
Formula Grants for Rural Areas (Section 5311) thru 2/29/2020	20.509	M01662	319,680
Formula Grants for Rural Areas (Section 5311) CARES Act effective 3/1/2020	20.509	M01662	550,714
Total Formula Grants for Rural Areas			<u>1,077,351</u>
Transit Services Programs Cluster			
Enhanced Mobility of Seniors and Individuals with Disabilities (Section 5310)	20.513	M01583	76,800
Total Transit Services Program Cluster			<u>76,800</u>
Total pass-through New Mexico Department of Transportation			<u>1,321,300</u>
Total FTA			<u>27,065,733</u>
Total Expenditures of Federal Awards			<u>\$ 53,053,262</u>

Rio Metro Regional Transit District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rio Metro Regional Transit District (Rio Metro) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Rio Metro, it is not intended to and does not present the financial position, changes in net position, or cash flows of Rio Metro.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 – Non-Cash Assistance, Loans, and Indirect Costs

Rio Metro did not receive any non-cash assistance, loans, or loan guarantees. Rio Metro does not use the ten percent de minimus indirect cost rate allowed under Uniform Guidance.

Note 4 – Subrecipients

Rio Metro has no subrecipients.



Report of Independent Auditors 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*

Board of Directors
Rio Metro Regional Transit District
Brian S. Colón, Esq.
New Mexico State Auditor

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 aggregate remaining fund information, and the budgetary comparisons for Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Rio Metro's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rio Metro's internal control over financial reporting (internal control) as a basis for designing 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 Rio Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of Rio Metro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Metro'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 financial statements. 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 a matter that is required to be reported per Section 12-6-5 NMSA 1978, that is described in the schedule of findings and questioned costs as finding 2020-001.

Rio Metro's Response to Finding

Rio Metro's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Rio Metro's 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.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2020



Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Rio Metro Regional Transit District
Mr. Brian S. Colón, Esq.
New Mexico State Auditor

Report on Compliance for the Major Federal Program

We have audited Rio Metro Regional Transit District's (Rio Metro's) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Rio Metro's major federal program for the year ended June 30, 2020. Rio Metro's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Rio Metro's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rio Metro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Rio Metro's compliance.

Opinion on the Major Federal Program

In our opinion, Rio Metro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rio Metro's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rio Metro's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2020

**Rio Metro Regional Transit District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020**

No matters reported.

Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.321	Railroad Safety Technology Grants	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 1,591,598

Auditee qualified as low-risk auditee? Yes No

Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020

Section II – Financial Statement Findings

No matters reported.

Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs

No matters reported.

**Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020**

Section IV – Other Findings as Required by Section 12-6-5 NMSA 1978

Finding 2020-001 Budgetary Conditions (Other Non-Compliance)

Criteria – Pursuant to 6.6.6(A) NMAC, when a budget has been approved by a local public body, it is binding upon all officials and governing authorities and no official shall pay any check or warrant in excess of the approved budget. Rio Metro Regional Transit Authority (Rio Metro) submitted an approved budget for fiscal year 2020 that was approved by the New Mexico Department of Finance and Administration and became the legal level of budgetary control.

Condition – During the year ended June 30, 2020, Rio Metro reported actual expenditures in the Rail Activity budget that exceeded budgetary amounts by \$4,975,381.

Effect – Rio Metro did not comply with 6.6.6(A) NMAC.

Cause – Rio Metro received a \$5,298,788 increase in Contract 2018-03 during fiscal year 2020, which was approved by Board Resolution R-20-03 on February 21, 2020. However, there was no Board Resolution to approve a budget adjustment related to the increased contract award.

Repeat Finding – This is not a repeat finding.

Recommendation – We recommend that Rio Metro review existing controls for monitoring budgets and submitting any necessary budget adjustments timely to avoid exceeding budgetary amounts.

Management's Response/Plan of Action – Rio Metro acknowledges the oversight of obtaining Board approval on the related budget adjustment. We will insure that future large contract increases will be accompanied by appropriate budget adjustment at the same Board of Directors meeting.

Responsible Person – Senior Finance Manager and Finance Manager

Rio Metro Regional Transit District
Exit Conference
Year Ended June 30, 2020

EXIT CONFERENCE

An exit conference was held on December 14, 2020 to discuss the annual financial report. Attending were the following:

Rio Metro Regional Transit District

Diane Gibson, Board Chair
Terry Doyle, Transportation Director
Conni Vigil, Senior Finance Manager
Josephine Vigil, Finance Manager
Dewey Cave, Executive Director

Moss Adams LLP

Kory Hoggan, CPA, Partner
Michael McGinley, Assurance Manager
Samantha Hairston, Assurance Senior

Preparation of Financial Statements

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the Rio Metro Regional Transit District. The financial statements and related footnotes remain the responsibility of management.