



RIO METRO REGIONAL TRANSIT DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2010

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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BOARD MEMBERS

City of Albuquerque	Mayor	Richard J. Berry
City of Albuquerque	Councilor	Rey Garduño
City of Albuquerque	Councilor (Chair)	Isaac Benton
City of Albuquerque	Councilor	Michael Cook
City of Albuquerque	Councilor	Debbie O'Malley
City of Belen		Vacant
Bernalillo County	Commissioner	Michael Brasher
Bernalillo County	Commissioner	Art De La Cruz
Bernalillo County	Commissioner	Michael Wiener
Town of Bernalillo	Mayor	Jack Torres
Village of Bosque Farms	Mayor	Wayne Ake
Village of Corrales	Councilor	John Alsobrook
Village of Los Lunas	Mayor	Robert Vialpando
Los Ranchos de Albuquerque	Mayor	Larry Abraham
City of Rio Rancho	Councilor	Kathleen Colley
City of Rio Rancho	Councilor (Vice Chair)	Steve Shaw
Sandoval County	Commissioner	Don Leonard
Valencia County	Commissioner	Ron Gentry

Independent Auditors' Report

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2010, which collectively comprise Rio Metro's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of Rio Metro's nonmajor governmental funds and the budgetary comparisons and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of Rio Metro's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rio Metro's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the aggregate remaining fund information of Rio Metro as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Rio Metro as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2010 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 12 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rio Metro's basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Any additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
November 29, 2010

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Rio Metro Regional Transit District (Rio Metro) management's discussion and analysis provides an overview of Rio Metro's mission and function, recent program opportunities, and a brief discussion of the basic financial statements and the significant differences in information they provide.

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 representatives of the local member agencies to ensure a balance between local and regional transportation needs.

The Rio Metro Regional Transit District 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 analyses, 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 Transit District service area include the New Mexico Rail Runner Express 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. Transit passenger facilities and amenities are important elements necessary to support transit operations and to build and maintain patronage. Common passenger facilities include 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 funds. Federal funds are administered jointly with the New Mexico Department of Transportation.

RECENT PROGRAM OPPORTUNITIES

Rio Metro began receiving Regional Transit Gross Receipts Taxes as of September 2009. These were gross receipts taxes from business activity beginning July 1, 2009, collected during August 2009, and distributed during September 2009. Regional Transit Gross Receipts Taxes are received from Bernalillo, Sandoval, Valencia, and Santa Fe Counties.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

Regional Transit Gross Receipts Taxes provide the primary source of funding for continuing operations of the New Mexico Rail Runner Express. However, Regional Transit Gross Receipts Taxes was a new source of funding that was used to develop and improve transit operations within the transit district, specifically in Rio Rancho, Sandoval County, and Valencia County.

BASIC FINANCIAL STATEMENTS

This is the first year that Rio Metro's financial statements have been shown separately from those of the Mid-Region Council of Governments (MRCOG). Previously, the MRCOG was the operator of the New Mexico Rail Runner Express, on behalf of the New Mexico Department of Transportation.

Rio Metro follows GASB #34 and financial statements include the financial information required by GASB #34. Comparative information is not available since this is the first year report for Rio Metro.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either Rio Metro as a whole, or major individual funds (within the funds financial statements). Both the government-wide and fund financial statements categorize primary activities as either government or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long term debt obligation. Rio Metro did not have any business-type activities during the year ended June 30, 2010.

Government-Wide Financial Statements

The government-wide financial statements focus is on the sustainability of Rio Metro as an entity and in aggregate financial position resulting from the activities of the current fiscal period.

Fund Financial Statements

The emphasis of the fund financial statements is on the major funds in either the governmental or business-type activities. Non-major funds by category or fund type are summarized into a single column. The General Fund, Gross Receipts Tax Transit, Transit Operations, Commuter Rail Operations, and Gross Receipts Tax Rail, have been classified as major funds. Rio Metro has several non-major funds.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

Governmental funds utilize the modified accrual basis of accounting. Revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues which have been received but are not considered available are recorded as unearned grant advances. Expenditures are recorded when the related fund liability is incurred.

In applying this concept to intergovernmental revenues pursuant to GASB Statement #33, 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 deferred revenue by the recipient.

Notes to the Financial Statements

The notes to the financial statements provide information essential to the reader's understanding of Rio Metro's basic financial statements.

Budgetary Comparisons

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures - Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

FINANCIAL ANALYSIS OF RIO METRO

Overall Financial Position

Rio Metro's overall financial position continues to grow and 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.

During the past year, Rio Metro assumed responsibility for the transit services in Rio Rancho, rural Sandoval County, and Valencia County. Regional transit gross receipts taxes also provided a significant source of funding for operation of the New Mexico Rail Runner Express.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

Rio Metro's net assets increased by \$7,146,614 compared to the prior year. Rio Metro began the year with no net assets (since this is the first year of operations) and ended the year with net assets of \$7,146,614. The increase in net assets was principally a result of gross receipts taxes collected in excess of expenditures.

Rio Metro's total Governmental Funds expenditures during the year were nearly \$27.4 million dollars. Eighty percent (80%) of those expenditures were for operating the New Mexico Rail Runner Express commuter rail system. The Rail Runner is an ongoing activity and the commuter rail system has been in operations for several years. Transit operations; however, is a new venture for Rio Metro and expenditures will increase as Rio Metro implements the projects outlined in the Regional Transit Plan.

Rio Metro did not have any business-type activities during the year ended June 30, 2010.

Net Assets

Table A-1 summarizes the Rio Metro's net assets for the fiscal year ended June 30, 2010. Net assets are presented on a consolidated basis and are reflected on a full accrual basis. Rio Metro did not have any business-type activities during the year ended June 30, 2010.

Table A-1

Rio Metro's Net Assets

	Governmental Activities 6/30/10
Current assets	\$ 13,420,636
Total assets	\$ 13,420,636
Total current liabilities	\$ 6,274,022
Total liabilities	6,274,022
Net assets	
Unrestricted	\$ 7,146,614
Total liabilities and net assets	\$ 13,420,636

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

Changes in net assets: Rio Metro's change in net assets for fiscal year 2010 was an increase of \$7,146,614. The table below reflects the changes in net assets:

Table A-2

Changes in Rio Metro's Net Assets

	Governmental Activities 6/30/10
Expenses – governmental activities	\$ (27,395,578)
Add: charges for services	2,899,752
operating grants	<u>9,680,598</u>
Subtotal	<u>(14,815,228)</u>
General revenues – total	<u>21,961,842</u>
Change in net assets	7,146,614
Net assets – beginning of year	<u>-</u>
Net assets – end of year	<u><u>\$ 7,146,614</u></u>

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

The following table relates to the revenues and expenditures of the Governmental Funds:

Table A-3

Changes in Rio Metro's Revenues, Expenditures and Changes in Fund Balances

	Governmental Activities 6/30/10
Revenues:	
State	\$ 1,312,017
Federal	6,250,479
Local	21,960,824
Charges for service	2,899,752
BNSF/AMTRAK	1,891,658
Interest and other	<u>227,462</u>
Total revenues	<u>34,542,192</u>
Expenditures:	
Operations	26,685,174
Capital outlay	<u>710,404</u>
Total expenditures	<u>27,395,578</u>
Excess of revenues over Expenditures	7,146,615
Beginning fund balances	<u>-</u>
Ending fund balances	<u>\$ 7,146,615</u>

The Rio Metro's total expenditures for government-type activities during the fiscal year 2010 were \$27,395,578. There is no comparison to the prior year because this is the first year of operations of Rio Metro.

Analysis of Major Funds

General Fund (Fund 010): Revenues in the General Fund were \$1,018, which was interest income. There were no other revenues or expenses in the General Fund during the fiscal year.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

GRT - Transit (Fund 048): The GRT - Transit fund is where Rio Metro includes the transit portion of Gross Receipts Tax Revenue when it is received. When Rio Metro allocates revenue at the end of each month, the GRT - Transit revenue is allocated to the various transit funds as needed to cover expenses. As of June 30, 2010, the fund balance in the GRT - Transit fund was \$6,747,538.

Transit Operations (Fund 049): The Transit Operations fund includes the operation, administration, budget, utilities and other costs associated with operating and administering Rio Metro's transit activities. As of June 30, 2010, the fund balance in the Transit Operations fund was zero.

Commuter Rail Operations (Fund 089): The Rio Metro Regional Transit district is the designated operator of the New Mexico Rail Runner Express commuter rail service. Operating dollars are used to contract for the operation and maintenance of the commuter rail service, communications and dispatch, as well as marketing and oversight of the contract operator. As of June 30, 2010, the fund balance in the Commuter Rail Operations fund was zero.

GRT - Rail (Fund 099): The GRT - Rail fund is where Rio Metro includes the rail portion of Regional Transit Gross Receipts Tax Revenue when it is received. When Rio Metro allocates revenue at the end of each month, the GRT - Rail revenue is allocated to the various rail funds as needed to cover expenses. As of June 30, 2010, the fund balance in the GRT - Rail fund was \$398,059.

Significant Variations between Original and Final Budget Amounts

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

- Regional Transit Gross Receipts Taxes were \$4,289,175 less than anticipated.
- The State of New Mexico provided additional ARRA funding in the amount of \$643,500 for the New Mexico Rail Runner Express to provide Sunday service.
- The State of New Mexico provided additional funding (\$750,000 Federal and \$500,000 State) for operation of the New Mexico Rail Runner Express.

Fund Balances

The fund balances at June 30, 2010 were as follows:

- The fund balance in the General fund was \$1,018, which was interest earned during the year.
- The fund balance in the GRT - Transit fund was \$6,747,538, which was gross receipts taxes collected but not used to cover transit expenses during the year.
- The fund balance in the GRT - Rail fund was \$398,059, which was gross receipts taxes collected but not used to cover rail expenses during the year.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2010**

Capital Assets

The Rio Metro RTD had no capital assets at June 30, 2010. All of the major capital assets related to operations of the New Mexico Rail Runner Express (i.e., stations, track, and train equipment) belong to the New Mexico Department of Transportation. Other vehicles and computer equipment used in the commuter rail operation belong to the Mid-Region Council of Governments, who manages the New Mexico Rail Runner Express on behalf of the New Mexico Department of Transportation and Rio Metro RTD. The Rio Metro RTD did not purchase any transit buses during the year.

Debt

The Rio Metro RTD had no debt, either current or long term, at June 30, 2010, or at any time during the year.

Future Financial Position

The primary source of funding for the Rio Metro RTD is the Regional Transit Gross Receipts Tax. While this tax is dependent on the state of the economy, the Rio Metro RTD is confident that there will be sufficient funding available to operate the New Mexico Rail Runner Express and provide transit services in the region.

Request for Information

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

**RIO METRO REGIONAL TRANSIT DISTRICT
(GOVERNMENT-WIDE)
STATEMENT OF NET ASSETS
June 30, 2010**

	Governmental Activities
ASSETS	
Current	
Cash and cash equivalents	\$ 8,291,944
Accounts receivable	799,437
Gross receipts taxes receivable	3,975,720
Grants receivable	339,685
Related entity receivable	3,333
Prepaid	10,519
Total assets	<u><u>\$ 13,420,638</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Current	
Accounts payable	\$ 5,768,835
Related entity payable	505,188
Total liabilities	<u><u>6,274,023</u></u>
 NET ASSETS	
Unrestricted	<u>7,146,615</u>
Total net assets	<u><u>7,146,615</u></u>
 Total liabilities and net assets	 <u><u>\$ 13,420,638</u></u>

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
(GOVERNMENT-WIDE)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

	Expenses	Charges for Services	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets for Governmental Activities
Functions/Programs				
Governmental Activities				
General government				
Commuter rail activities	\$ 22,751,381	2,846,221	8,350,662	(11,554,498)
Transit activities	4,644,197	53,531	1,329,937	(3,260,729)
	<hr/>			
Total governmental activities	\$ 27,395,578	2,899,752	9,680,599	(14,815,227)
	<hr/>			
General Revenues				
NM Gross Receipts Taxes				\$ 21,960,824
Interest				1,018
Total general revenues				<hr/> 21,961,842 <hr/>
Change in net assets				<hr/> 7,146,615 <hr/>
Net assets, beginning of year				<hr/> - <hr/>
Net assets, ending of year				<hr/> \$ 7,146,615 <hr/>

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	Major Funds						Total Governmental Funds
	Special Revenue Funds					Other Governmental Funds	
	General #10	GRT - Transit #48	Transit Operations #49	Commuter Rail Oper. #89, 94	GRT - Rail #99		
ASSETS							
Cash and cash equivalents	\$ 8,291,944	-	-	-	-	-	8,291,944
Accounts receivable	4,244	-	3,632	785,161	-	6,400	799,437
Gross receipts taxes receivable	-	1,741,197	-	-	2,234,523	-	3,975,720
Grant reimbursements receivable	-	-	-	-	-	343,018	343,018
Related entity receivable	-	-	-	-	-	-	-
Interfund receivables	-	5,006,341	786,338	3,804,340	-	557,974	10,154,993
Prepaid expenses	-	-	10,519	-	-	-	10,519
Total assets	\$ 8,296,188	6,747,538	800,489	4,589,501	2,234,523	907,392	23,575,631
LIABILITIES							
Accounts payable	\$ -	-	507,005	4,444,882	-	816,948	5,768,835
Related Entity Payable	-	-	293,484	144,619	-	67,085	505,188
Interfund payables	8,295,170	-	-	-	1,836,464	23,359	10,154,993
Total liabilities	8,295,170	-	800,489	4,589,501	1,836,464	907,392	16,429,016
FUND BALANCES							
Unreserved, undesignated, reported in							
General Fund	1,018	-	-	-	-	-	1,018
Special Revenue Funds	-	6,747,538	-	-	398,059	-	7,145,597
Capital Project Funds	-	-	-	-	-	-	-
Total fund balance	1,018	6,747,538	-	-	398,059	-	7,146,615
Total liabilities and fund balances	\$ 8,296,188	6,747,538	800,489	4,589,501	2,234,523	907,392	23,575,631

Reconciliation

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

No reconciling items

-

Net assets of governmental funds

\$ 7,146,615

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General #10	GRT - Transit #48	Transit Operations #49	Commuter Rail Oper. #89, 94	GRT - Rail #99		
REVENUES							
Intergovernmental							
Federal	\$ -	-	-	5,193,500	-	1,056,979	6,250,479
State	-	-	-	500,000	-	812,017	1,312,017
NM Gross Receipts Tax	-	6,747,538	2,940,850	11,546,467	398,059	327,911	21,960,825
Farebox	-	-	19,391	2,846,221	-	34,140	2,899,752
BNSF/AMTRAK	-	-	-	1,891,658	-	-	1,891,658
Special Projects and other	1,018	-	5,085	5,174	-	216,185	227,462
Total revenues	1,018	6,747,538	2,965,326	21,983,020	398,059	2,447,232	34,542,193
EXPENDITURES							
Current							
Operating	-	-	2,916,708	21,973,861	-	1,794,605	26,685,174
Capital outlay	-	-	48,618	9,159	-	652,627	710,404
Total expenditures	-	-	2,965,326	21,983,020	-	2,447,232	27,395,578
Excess of revenue over expenditures	1,018	6,747,538	-	-	398,059	-	7,146,615
OTHER FINANCING SOURCES/USES							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Net change in fund balance	1,018	6,747,538	-	-	398,059	-	7,146,615
Fund balance, beginning of year	-	-	-	-	-	-	-
Fund balance, end of year	\$ 1,018	6,747,538	-	-	398,059	-	7,146,615

Reconciliation

Change in fund balance-total government funds

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

No reconciling items	\$ -
Change in net assets of governmental activities	\$ 7,146,615

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2010**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ -	-	-	-
State	-	-	-	-
NM Gross Receipts Tax	-	-	-	-
Farebox	-	-	-	-
BNSF/AMTRAK	-	-	-	-
Special Projects and other	-	1,018	1,018	-
Total revenues	-	1,018	1,018	-
EXPENDITURES				
Current:				
Operating	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Other financing uses				-
Operating transfer out	-	-	-	-
Change in fund balance	\$ -	1,018	1,018	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - GRT - TRANSIT #48
Year Ended June 30, 2010**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ -	-	-	-
State	-	-	-	-
NM Gross Receipts Tax	9,093,750	8,864,270	6,747,538	(2,116,732)
Farebox	-	-	-	-
BNSF/AMTRAK	-	-	-	-
Special Projects and other	-	-	-	-
Total revenues	9,093,750	8,864,270	6,747,538	(2,116,732)
EXPENDITURES				
Current:				
Operating	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Other financing uses				-
Operating transfer out				-
Change in fund balance	\$ 9,093,750	8,864,270	6,747,538	(2,116,732)

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - TRANSIT OPERATIONS #49
Year Ended June 30, 2010**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 855,800	-	-	-
State	1,988,500	-	-	-
NM Gross Receipts Tax	3,031,250	2,940,850	2,940,850	-
Farebox	30,000	19,391	19,391	-
Special Projects and other	-	5,085	5,085	-
Total revenues	5,905,550	2,965,326	2,965,326	-
EXPENDITURES				
Current:				
Operating	3,505,550	2,916,708	2,916,708	-
Capital outlay	2,400,000	48,618	48,618	-
Total expenditures	5,905,550	2,965,326	2,965,326	-
Other financing uses	-	-	-	-
Operating transfer out	-	-	-	-
Change in fund balance	\$ -	-	-	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - COMMUTER RAIL OPERATIONS #89, #94
Year Ended June 30, 2010**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 4,448,000	5,193,500	5,193,500	-
State	-	500,000	500,000	-
NM Gross Receipts Tax	11,529,498	11,546,467	11,546,467	-
Farebox	2,700,000	2,845,831	2,845,831	-
BNSF/AMTRAK	1,400,000	1,891,658	1,891,658	-
Special Projects and other	33,200	5,174	5,174	-
Total revenues	20,110,698	21,982,630	21,982,630	-
EXPENDITURES				
Current:				
Operating	20,110,698	21,973,471	21,973,471	-
Capital outlay	-	9,159	9,159	-
Total expenditures	20,110,698	21,982,630	21,982,630	-
Other financing uses	-	-	-	-
Operating transfer out	-	-	-	-
Change in fund balance	\$ -	-	-	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR FUND - GRT - RAIL #99
Year Ended June 30, 2010**

	Original Budget	Final Budget	Current Year Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental	\$			
Federal	-	-	-	-
State	-	-	-	-
NM Gross Receipts Tax	2,570,502	2,570,502	398,059	(2,172,443)
Farebox	-	-	-	-
BNSF/AMTRAK	-	-	-	-
Special Projects and other	-	-	-	-
Total revenues	2,570,502	2,570,502	398,059	(2,172,443)
EXPENDITURES				
Current:				
Operating	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Other financing uses	-	-	-	-
Operating transfer out	-	-	-	-
Change in fund balance	\$ 2,570,502	2,570,502	398,059	(2,172,443)

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity. The 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 and is funded through a combination of participation fees, gross receipts taxes, advertising, interest income and federal grants. Rio Metro is the primary government and is not a component unit of any other entity. It is the financial reporting entity, and it did not have any component units during the fiscal year ended June 30, 2010.

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 and 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 does not have employees and relies on MRCOG's financial system and control structure. Rio Metro contracts Herzog Companies, Inc. to manage and operate the Rail Runner.

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

Reporting Entity. GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Rio Metro is the primary government and the reporting entity. There are no component units.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basic Financial Statements – GASB Statement #34. The basic financial statements include both government-wide (based on Rio Metro as a whole) and fund financial statements. The new reporting model focus is on either Rio Metro as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and 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 did not have any business-type activities during the year ended June 30, 2010.

Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements and Rio Metro does not have these types of activities to report.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, charges for services, operating and capital grants. Rio Metro reports several functions as reflected in the Statement of Activities. The program revenues consist of grants received for specific projects. The net cost is normally covered by general revenues. Rio Metro does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of Rio Metro as an entity and in aggregate financial position resulting from the activities of the current fiscal period. The government-wide financial statements are prepared in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP). The Rio Metro Regional Transit District applies Financial Accounting Standards Board (FASB) pronouncements and accounting principles board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails.

Interfund activity is eliminated in the government-wide financial statements. There was no internal service fund activity which needed to be eliminated.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation – Fund Financials: The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how Rio Metro's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page of each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function. Program revenues derive directly from the program itself or from parties outside the reporting governments citizenry or funding sources as a whole include 1) charges for services from Rio Metro's contracts with others 2) grants that are restricted to meeting the operations or capital requirements of a particular function such as administration and planning functions for Commuter rail projects and other smaller programs.

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 Fund Types- 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- The General Fund is the general operating fund of Rio Metro. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds- The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds- The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities.

Agency Funds – Rio Metro does not have agency funds.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Under the requirements of GASB #34, Rio Metro is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

General Fund - The primary operating fund of Rio Metro accounts for all financial resources, except those required to be accounted for in other funds, and is always a major fund.

Special Revenue Funds - Major Funds:

GRT - Transit (No. 48) - The GRT - Transit fund is where Rio Metro includes the transit portion of NM Regional Transit Gross Receipts Tax (GRT) Revenue when it is received. When Rio Metro allocates revenue at the end of each month, the GRT - Transit revenue is allocated to the various transit funds as needed to cover expenses.

Transit Operations (No. 49) - The Transit Operations fund includes the operation, administration, budget, utilities and other costs associated with operating and administering Rio Metro's transit activities. Rio Metro was created by the NM Regional Transit District Act (Chapter 73, Article 25, NMSA 1978).

Commuter Rail-Operations (No. 89) - Provides for the operations of the Commuter Rail between Belen and Bernalillo. These funds are also authorized by the U.S. Department of Transportation, Public Law 109-59 Safe, Accountable, Flexible Efficient Transportation Equity Act. Funding paid to Rio Metro on a cost reimbursement basis. Rio Metro was created by the NM Regional Transit District Act (Chapter 73, Article 25, NMSA 1978).

GRT - Rail (No. 99) - The GRT - Rail fund is where Rio Metro includes the rail portion of NM Regional Transit Gross Receipts Tax Revenue when it is received. When Rio Metro allocates revenue at the end of each month, the GRT - Rail revenue is allocated to the various rail funds as needed to cover expenses.

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 Government-wide Financial Statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Governmental Funds in the 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
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., 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, 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 GASB Statement #33 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 deferred revenue by the recipient. Grant revenues are not recognized until eligibility requirements are met. NM Gross Receipts Taxes (GRT) received after 60 days as a result of delinquent accounts is not known or able to be estimated, or measured, and therefore, is not recorded.

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 in the statement of net assets and depreciated over their estimated useful lives (no salvage value) in the statement of activities. Contributed capital assets are recorded at their estimated fair market 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 Rio Metro's capital assets. Rio Metro's capitalization policy, i.e., 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.

Government accounting standards require the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. However, Rio Metro did not own any capital assets or infrastructure assets as of June 30, 2010. All capital assets relating to the Rail Runner are owned by New Mexico Department of Transportation (NMDOT).

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Encumbrances

Rio Metro does not use encumbrances.

Budgets and Budgetary Accounting

Rio Metro's Executive Director prepares an overall budget by project fund for Rio Metro which is adopted by the Board. This Budget includes expected receipts and expenditures of the General Fund. Rio Metro is required to prepare budgets for each program for submission directly to that program's funding source. Each fundings' 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 legally approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. There are no differences between the GAAP basis and the budgetary basis because both are modified accrual.

The time at which appropriations lapse depends on the funding source and related legal requirements. Unexpended appropriations funded by all grants do not lapse at the fiscal year-end and may be carried forward. The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year.

Due To and From Other Funds

Interfund receivables represent project costs paid by the General Fund 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.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Grants and 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 NM Gross Receipts Taxes owed by taxpayers as of year-end and received within 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. All other receivables are expected to be collected and, therefore, no allowance has been deemed necessary.

Revenues

Revenues are recognized as follows:

- 1) Special and capital outlay appropriations require project and draw down approval from NM Department of Finance and Administration (DFA) Board of Finance. Rio Metro considers this part of the eligibility requirements and does not recognize the revenues and receivables until the approval is obtained.
- 2) Federal and other grants revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as deferred revenues in the accompanying financial statements.
- 3) Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. 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.
- 4) Derived tax revenue, the NM Regional Transit Gross Receipts Tax Revenue, 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.

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

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, 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 requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Unearned Grant Advances

Unearned grant advances represent cash received under agreements which have not yet been expended for their intended purposes and are, therefore, unearned.

Net Assets and Fund Balance

Net assets on the Statement of Net Assets include the following:

Invested in Capital Assets, net of debt - the component of net assets 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. Rio Metro had no capital assets as of June 30, 2010.

Restricted - the component of net assets 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. Rio Metro had no restricted net assets as of June 30, 2010.

Unrestricted - the difference between the assets and liabilities that is not reported in net assets invested in capital assets or restricted net assets.

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 net assets are available.

As of June 30, 2010, in the fund level financial statements, Rio Metro did not have designated fund balances.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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 percent of the deposits in excess of 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 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 Federal Deposit Insurance Corporation, 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 is to collateralize one half of the uninsured public money in each account. As of June 30, 2010, the amount of Rio Metro's bank balance of \$8,937,545 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,999,723
Uninsured and collateral held by pledging bank's trust department not in Rio Metro's name	6,687,822

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

Rio Metro's bank balances were collateralized in compliance with the State of New Mexico's state statutes. Rio Metro and the Mid Region Council of Governments of New Mexico (MRCOG) are collateralized together as follows:

Wells Fargo Bank

Account Name	Type	Bank Balance
Rio Metro Checking (82%)	Demand Deposits	\$ 8,937,545
MRCOG Checking (18%)	Demand Deposits	<u>2,016,526</u>
		10,954,071
FDIC coverage (both accounts) *		<u>(500,000)</u>
Uninsured balance		<u>10,454,071</u>
Total 50% collateral required		<u>\$ 5,227,036</u>
Rio Metro's 50% collateral required		<u>\$ 4,343,773</u>
MRCOG's 50% collateral required		<u>\$ 883,263</u>
Pledged collateral held in the bank's name held		
FNMA Pool #256306, Cusip #31371MU96 maturing 7/1/36, market value to be used		\$ 414,658
FNMA Pool #849021, Cusip #31408EG63 maturing 1/1/36, market value to be used		5,011,941
FNMA Pool #904138, Cusip #31411PX3 maturing 11/1/36, market value to be used		728,155
FNMA Pool #929182, Cusip #31412MJ33 maturing 3/1/38, market value to be used		<u>2,001,127</u>
Total collateral		<u>\$ 8,155,881</u>
Rio Metro's 82% collateral		<u>\$ 6,687,822</u>
MRCOG's 18% collateral		<u>\$ 1,468,059</u>
Total over collateralized		\$ 2,928,845
Rio Metro over collateralized		\$ 2,344,049
MRCOG over collateralized		\$ 584,796

All collateral is located at Wells Fargo Bank in San Francisco, CA.

* Each account gets \$250,000 FDIC coverage as Rio Metro and MRCOG are separate legal entities for the purpose of FDIC Insurance.

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS (CONTINUED)

Following are the descriptions of the Rio Metro cash and certificates of deposit held as of June 30, 2010:

	Book Balance	Bank Balance
Demand deposit – Wells Fargo Bank, Albuquerque, New Mexico	<u>\$ 8,291,944</u>	8,937,545
Total	<u><u>\$ 8,291,944</u></u>	8,937,545
Demand deposits per bank		-
Less outstanding checks		(646,001)
Deposits in transit		<u>400</u>
Cash and equivalents per financial statements		<u><u>\$ 8,291,944</u></u>

NOTE 3. ACCOUNTS RECEIVABLES

The accounts receivables balance as of June 30, 2010 consisted of:

Burlington Northern Santa Fe Railway	\$ 785,161
Other receivables	<u>14,276</u>
Total accounts receivable	<u><u>\$ 799,437</u></u>

NOTE 4. INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS

Interfund accounts were as follows at June 30, 2010:

	To (Interfund Pay)	From (Interfund Rec)
Due to major and non major funds from General Fund	\$ 8,295,170	-
Due to General fund from GRT-Rail fund #99	1,836,464	-
General fund due to GRT-Transit fund #48	-	5,006,341
General fund due to Transit Operations fund #49	-	786,338
General fund due to Rail Operations funds #89, 94	-	<u>3,804,340</u>
Subtotal	<u><u>10,131,634</u></u>	<u><u>9,597,019</u></u>

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4. INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS (CONTINUED)

	To	From
Due to General fund from nonmajor funds	\$ 23,359	-
Due from General fund to nonmajor funds	-	557,974
Subtotal	<u>23,359</u>	<u>557,974</u>
Total	<u>\$ 10,154,993</u>	<u>10,154,993</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 interfund balances at June 30, 2010 to be repaid within one year.

Matching funds transfers are made by the General Fund as required to meet the matching requirements of grants.

NOTE 5. SHORT-TERM ADVANCE

During the year, Rio Metro advanced an amount to MRCOG, a related entity as described in Note 1, for a vendor payment for Rail Runner operation due to delayed reimbursement by New Mexico Department of Transportation (NMDOT).

	June 30, 2009	Advances	Repayments	June 30, 2010
\$	-	1,281,934	1,281,934	-

NOTE 6. CAPITAL ASSETS

Rio Metro had no capital assets for the year ended June 30, 2010. All capital assets relating to the Rail Runner are owned by NMDOT.

NOTE 7. 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 the Mid Region Council of Governments of New Mexico (MRCOG) they are covered by MRCOG's insurance. The following insurance coverage was in effect at June 30, 2010:

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7. INSURANCE COVERAGE (CONTINUED)

Insurer and Policy Type	Term	Coverage
Ace Property & Casualty Insurance (worker's compensation)	2/12/10 – 2/12/11	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)
Allied World Assurance Co. Commercial general liability	9/29/09 - 9/29/10	\$1,000,000 each Occurrence, No general aggregate limit
Auto liability – Employee's car for company business	9/29/09 - 9/29/10	Combined single Limit \$1,000,000
Special Property Insurance Program	7/1/09 - 7/1/10	\$25,000,000 Error and Omissions
City of Albuquerque Risk Management Fund		Covered under limits of the Tort Claims Act of NM
Paid into pool \$34,279 for the year ended June 30, 2010		
Auto vehicles liability –	Continuous policy	\$1,000,000 - property damage \$1,000,000 - per person for single occurrence \$1,050,000 - total damages in any single occurrence
MRCOG owned		

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 New Mexico Rail Runner Express (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

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7. INSURANCE COVERAGE (CONTINUED)

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, 2009 through June 30, 2010.

NOTE 8. 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.

NOTE 9. SPECIAL APPROPRIATIONS

Special appropriations for capital outlay and special appropriations from the Department of Finance and Administration were as follows:

Project Description	Project Number	Appropriation Period	Original Appropriation	Expenditures to Date	Amount Reverted	Project Status
Transit Oriented Development #84	06-L-G-1907	7/1/2006 to 6/30/2010	<u>\$ 800,000</u>	<u>\$ 795,107</u>	<u>\$ 4,893</u>	Closed
Total special and capital outlay appropriations			<u>\$ 800,000</u>	<u>\$ 795,107</u>	<u>\$ 4,893</u>	

The above schedule provides project appropriations in total for the project durations. Current year activity is budgeted for each project in the funds listed accordingly provided as other supplementary information; therefore, the total figures would not necessarily match the original appropriation total overall.

Rio Metro recognizes project revenue on a cost reimbursement basis per the agreement with Department of Finance and Administration; therefore, no receivable has been booked for projects with outstanding balances. The outstanding balance of \$4,893 was reverted back to the State.

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010**

NOTE 10. OPERATING LEASES

Rio Metro is committed under various operating leases, primarily for buildings. Future minimum operating lease commitments are as follows:

Year ending June 30,	
2011	\$ 180,778
2012	180,778
2013	179,428
2014	165,442
2015	126,230
2016-2020	631,150
2021	<u>73,634</u>
Total	<u>\$ 1,537,440</u>

Rent expenditures were \$108,117 for the year ended June 30, 2010.

**NOTE 11. OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES
 AGREEMENT**

Rio Metro has entered into an agreement with the Mid Region Council of Governments of New Mexico (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 provided operating services in the amount of \$2,669,238 during the year ended June 30, 2010.

NOTE 12. RIO METRO REIMBURSEMENTS/INCURRED COSTS

The MRCOG has several funds that pay expenditures for Rio Metro. The MRCOG then invoices Rio Metro for these expenditures. The following is a break out of what these expenditures consists of:

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

**NOTE 12. RIO METRO REIMBURSEMENTS/INCURRED COSTS
(CONTINUED)**

	Transit Operations 049	Transit Oriented Development 084	Commuter Rail Operations 083,089	ARRA Photovoltaic 214
Reimbursement to MRCOG				
Rio Metro RTD Revenue	\$ 868,555	59,253	1,480,697	11,716
Incurred on behalf of Rio Metro				
Operating Expenses	846,655	57,664	1,476,965	11,424
Building Lease Expense	21,031	1,496	748	292
Contractual	-	-	-	-
Capital Outlay	869	93	2,984	-
Total Expenditures	<u>\$ 868,555</u>	<u>59,253</u>	<u>1,480,697</u>	<u>11,716</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
		Rio Metro Service Schedules 055	Sandoval Easy Express 057	Total
Reimbursement to MRCOG				
Rio Metro RTD Revenue		\$ 44,471	204,546	2,669,238
Incurred on behalf of Rio Metro				
Operating Expenses		43,073	198,644	2,634,425
Building Lease Expense		1,259	5,564	30,390
Contractual		34	-	34
Capital Outlay		105	338	4,389
Total Expenditures		<u>\$ 44,471</u>	<u>204,546</u>	<u>2,669,238</u>
Excess revenues over expenditures		<u>\$ -</u>	<u>-</u>	<u>-</u>

NOTE 13. RELATED ENTITY BALANCES

Mid Region Council of Governments of New Mexico (MRCOG). Rio Metro's accounts payable balance to MRCOG was \$505,188 at June 30, 2010.

SUPPLEMENTARY INFORMATION

**RIO METRO REGIONAL TRANSIT DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2010**

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. Although there is no specific authority establishing these funds, Rio Metro tracks state and federal programs in separate funds for internal and external compliance and reporting purposes.

Transit Service Schedules (No. 55) (Separate fund required by grantor) - Provides for the development of the transit service routes and time schedules. The routes and time schedules are established to coordinate with the Rail Runner schedule, connecting bus schedules, and the start and ending times of major employers.

Sandoval County Easy Express (No. 57) - (Separate fund required by grantor) - Provides rural, public transit service within Sandoval County, the Town of Bernalillo and communities located along New Mexico 4, New Mexico 22 and U.S. 550. Also provides service to and from the Sandoval County/U.S. 550 Rail Runner station and the Town of Bernalillo Rail Runner station.

Valencia Transit (No. 59) (Separate fund required by grantor) - Provides rural, public transit service within the City of Belen. Also provides service to and from the Belen Rail Runner station.

Commuter Rail Permitting (No. 83) (Separate fund required by grantor) - Provides services funded by private organizations such as flagging services and private use of the Rail Runner by the film industry.

Transit Oriented Development (No. 84) (Separate fund required by grantor) - The New Mexico State Legislature provided funding to plan, design and improve land and facilities located adjacent to commuter rail stations, including pedestrian improvements, bicycle facilities, housing projects and parking facilities within walking distance of transit station
Rail Runner Farebox (No. 94) (Separate fund required by grantor) - The Rail Runner Farebox fund is where Rio Metro includes commuter rail farebox revenue as it received. When Rio Metro allocates revenue at the end of each month, the Rail Runner Farebox revenue is allocated as needed to cover expenses.

Commuter Rail Crossings State (No. 95) (Separate fund required by grantor) – Funding provided by the New Mexico Legislature for railroad crossing improvements necessary for the implementation of quiet zones at various locations in the Phase I Corridor (Bernalillo to Belen).

ARRA Photovoltaic system (No. 214) (Separate fund required by grantor) - Provides for installation of solar photovoltaic cells at the Belen and Sandoval County 550 rail stations to offset utility costs.

**RIO METRO REGIONAL TRANSIT DISTRICT
NON-MAJOR CAPITAL PROJECT FUNDS
June 30, 2010**

Capital Adelante (No. 310) (Separate fund required by grantor) - The New Mexico State Legislature provided funding for Adelante Development Corporation to purchase five vehicles.

**RIO METRO REGIONAL TRANSIT DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2010**

	Special Revenue						Capital Projects		TOTAL
	Transit Service Schedules #55	Sandoval Easy Express #57	Valencia Transit #59	Commuter Rail Permitting #83	Transit Oriented Development #84	ARRA Photovoltaic #214	Capital Adelante #301	Commuter Rail Crossings - State #95	
ASSETS									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	6,400	-	-	-	-	6,400
Due from other funds	-	63,417	17,009	-	-	5,821	-	471,727	557,974
Related entity receivable	-	-	-	-	-	-	-	-	-
Grant reimbursements receivable	13,010	179,531	6,587	-	70,491	-	-	73,399	343,018
Total assets	\$ 13,010	242,948	23,596	6,400	70,491	5,821	-	545,126	907,392
LIABILITIES									
Accounts payable	\$ -	204,845	23,596	1,983	41,398	-	-	545,126	816,948
Related entity payable	6,835	38,103	-	-	16,326	5,821	-	-	67,085
Due to other funds	6,175	-	-	4,417	12,767	-	-	-	23,359
Total liabilities	13,010	242,948	23,596	6,400	70,491	5,821	-	545,126	907,392
FUND BALANCES									
Unreserved	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 13,010	242,948	23,596	6,400	70,491	5,821	-	545,126	907,392

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	Special Revenue						Capital Projects		TOTAL
	Transit Service Schedules #55	Sandoval Easy Express #57	Valencia Transit #59	Commuter Rail Permitting #83	Transit Oriented Development #84	ARRA Photovoltaic #214	Capital Adelante #301	Commuter Rail Crossings - State #95	
REVENUES									
Intergovernmental									
Federal	\$ 38,355	990,986	23,638	-	-	4,000	-	-	1,056,979
State	-	-	-	-	159,390	-	107,500	545,127	812,017
NM Gross Receipts Tax	9,589	278,540	31,751	281	-	7,750	-	-	327,911
Farebox	-	32,270	1,870	-	-	-	-	-	34,140
BNSF/AMTRAK	-	-	-	-	-	-	-	-	-
Special Projects and other	-	164,373	-	51,812	-	-	-	-	216,185
Total revenues	\$ 47,944	1,466,169	57,259	52,093	159,390	11,750	107,500	545,127	2,447,232
EXPENDITURES									
Current:									
Operating	\$ 47,944	1,466,169	57,259	52,093	159,390	11,750	-	-	1,794,605
Capital outlay	-	-	-	-	-	-	107,500	545,127	652,627
Total expenditures	47,944	1,466,169	57,259	52,093	159,390	11,750	107,500	545,127	2,447,232
Change in fund balance	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-	-	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NON-MAJOR FUNDS
Year Ended June 30, 2010**

	Special Revenue Funds											
	Transit Service Schedules #55				Sandoval Easy Express #57				Valencia Transit #59			
	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)
REVENUES												
Intergovernmental												
Federal	\$ 76,737	76,737	38,355	(38,382)	1,054,274	1,054,274	990,986	(63,288)	25,687	25,687	23,638	(2,049)
State	-	-	-	-	-	-	-	-	-	-	-	-
NM Gross Receipts Tax	19,182	19,182	9,589	(9,593)	630,095	630,095	278,540	(351,555)	20,284	31,751	31,751	-
Farebox	-	-	-	-	35,000	35,000	32,270	(2,730)	1,700	1,870	1,870	-
BNSF/AMTRAK	-	-	-	-	-	-	-	-	-	-	-	-
Special Projects and other	-	-	-	-	164,373	164,373	164,373	-	-	-	-	-
Total revenues	\$ 95,919	95,919	47,944	(47,975)	1,883,742	1,883,742	1,466,169	(417,573)	47,671	59,308	57,259	(2,049)
EXPENDITURES												
Current:												
Operating	\$ 95,919	95,919	47,944	47,975	1,883,742	1,883,742	1,466,169	417,573	47,671	59,308	57,259	2,049
Noncurrent:												
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	95,919	95,919	47,944	47,975	1,883,742	1,883,742	1,466,169	417,573	47,671	59,308	57,259	2,049
Excess of revenues and other financing sources over expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Other financing sources (uses)												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Change in fund balance	\$ -	-	-	-	-	-	-	-	-	-	-	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 NON-MAJOR FUNDS
 June 30, 2010**

	Special Revenue Funds, continued											
	Commuter Rail Permitting #83				Transit Oriented Development #84 - Special Appropriation				ARRA - Photovoltaic #214			
	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)	Original Budget	Final Budget	Actual	Variations Favorable (unfavorable)
REVENUES												
Intergovernmental												
Federal	\$ -	-	-	-	-	-	-	-	149,307	149,307	4,000	(145,307)
State	-	-	-	-	164,283	164,283	159,390	(4,893)	-	-	-	-
NM Gross Receipts Tax	-	281	281	-	-	-	-	-	7,750	7,750	7,750	-
Farebox	-	-	-	-	-	-	-	-	-	-	-	-
BNSF/AMTRAK	-	-	-	-	-	-	-	-	-	-	-	-
Special Projects and other	-	51,812	51,812	-	-	-	-	-	-	-	-	-
Total revenues	\$ -	52,093	52,093	-	164,283	164,283	159,390	(4,893)	157,057	157,057	11,750	(145,307)
EXPENDITURES												
Current:												
Operating	\$ -	52,093	52,093	-	164,283	164,283	159,390	4,893	157,057	157,057	11,750	145,307
Noncurrent:												
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	52,093	52,093	-	164,283	164,283	159,390	4,893	157,057	157,057	11,750	145,307
Excess of revenues and other financing sources over expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Other financing sources (uses)												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Change in fund balance	\$ -	-	-	-	-	-	-	-	-	-	-	-

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NON-MAJOR FUNDS
June 30, 2010**

	Special Revenue Funds, continued				Capital Projects Fund			
	Capital - Adelante #301				Commuter Rail Crossings - State #95			
	Original Budget	Final Budget	Actual	Variances Favorable (unfavorable)	Original Budget	Final Budget	Actual	Variances Favorable (unfavorable)
REVENUES								
Intergovernmental								
Federal	\$ -	-	-	-	-	-	-	-
State	107,500	107,500	107,500	-	545,127	545,127	545,127	-
NM Gross Receipts Tax	-	-	-	-	-	-	-	-
Farebox	-	-	-	-	-	-	-	-
BNSF/AMTRAK	-	-	-	-	-	-	-	-
Special Projects and other	-	-	-	-	-	-	-	-
Total revenues	\$ 107,500	107,500	107,500	-	545,127	545,127	545,127	-
EXPENDITURES								
Current:								
Operating	\$ -	-	-	-	-	-	-	-
Noncurrent:								
Capital outlay	107,500	107,500	107,500	-	545,127	545,127	545,127	-
Total expenditures	107,500	107,500	107,500	-	545,127	545,127	545,127	-
Excess of revenues and other financing sources over expenditures	-	-	-	-	-	-	-	-
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Change in fund balance	\$ -	-	-	-	-	-	-	-

See Notes to Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND
MEMORANDUMS OF UNDERSTANDING
Year Ended June 30, 2010**

	Participants	Party Responsible for Operations	Reference #	Program Description	Date of Agreement		FY10 Project Amount	Audit Responsibility	Agency Where Revenues/Expendit ures Reported
					Begin	End			
A1	Sandoval County/RMRTD	Rio Metro	MOA	Transfer Rural, TANF, JARC Programs to RMRTD	9/1/2008	In perpetuity	\$ -	RMRTD	Rio Metro
A2	Town of Bernalillo/RMRTD	Rio Metro	MOA	Sandoval Easy Express Route 1	10/1/2008	In perpetuity	-	RMRTD	Rio Metro
A3	City of Belen/RMRTD	Rio Metro	MOA	Storage of 15 vehicles, driver access	7/1/2010	6/30/2011	8,213	RMRTD	Rio Metro
A4	NMDOT/MRCOG/RMRTD	Rio Metro	M00940	Commuter rail service rights & responsibilities	10/20/2009	In perpetuity	-	RMRTD	Rio Metro
A5	MRCOG/RMRTD	Rio Metro	MOA	MRCOG administrative agent for RMRTD	12/15/2009	In perpetuity	-	RMRTD	Rio Metro
A6	Los Lunas/RMRTD	Rio Metro	MOU	Transfer Los Lunas operations to RMRTD	9/24/2010	In perpetuity	123,470	RMRTD	Rio Metro
A7	Rio Rancho/RMRTD	Rio Metro	MOU	Transfer Rio Rancho operations to RMRTD	1/1/2010	In perpetuity	-	RMRTD	Rio Metro
A8	NMDOT/RMRTD	RMRTD	M00885/2	Transfer 5311 ARRA funds from RMRTD to Belen	3/25/2010	12/31/2010	(12,920)	RMRTD	Rio Metro

COMPLIANCE SECTION

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010**

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Fund #	Federal Expenditures
<u>U.S. Department of Education</u>				
Passed through State of New Mexico Department of Finance and Administration:				
State Fiscal Stabilization Fund-Government Services- ARRA	84.397A	GSF-DFA02-Railrunner	089	\$ 643,500
Total U.S. Department of Education				<u>643,500</u>
<u>U.S. Department of Energy</u>				
Passed through State of New Mexico Energy, Minerals and Natural Resources Department				
State Energy Program Special Projects - ARRA	81.119	10-521-RIDOE00001-0171	214	4,000
Total U.S. Department of Energy				<u>4,000</u>
<u>U.S. Department of Health & Human Services</u>				
Passed through Mid-Region Council of Governments:				
TANF Transportation Broker Program	93.558	GSA 10-630-9000-0011	057	20,000
Total U.S. Department of Health & Human Services				<u>20,000</u>
<u>U.S. Department of Transportation</u>				
Passed through State of New Mexico Department of Transportation:				
Job Access/Reverse Commute Program (Section 5316)	20.516	M00905	057	181,065
Formula Grants for Other Than Urbanized Areas (Section 5311)	20.509	M00921	057/059	813,559
State Planning and Research (Transit Service Schedules)	20.515	M00831	055	38,355
Highway Planning and Construction	20.505	AC-GRIP-025-3	089	3,800,000
Highway Planning and Construction	20.505	M00954	089	750,000
Total U.S. Department of Transportation Pass-through Awards				<u>5,582,979</u>
Total expenditures of federal awards				<u>\$ 6,250,479</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rio Metro Regional Transit District (Rio Metro) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Non-cash Assistance

Rio Metro received no non-cash federal assistance for the year.

3. Subrecipients

Rio Metro did not provide any federal awards to subrecipients during the year.

See Notes to Financial Statements.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial
Statements Performed in Accordance With
*Government Auditing Standards***

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, and the combining and the individual funds and related budgetary comparisons presented as supplemental information of the Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. 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.

Internal Control Over Financial Reporting

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

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.

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as items 10-1 and 10-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Metro's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-3.

We also noted a certain matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as item 10-4.

Rio Metro's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Rio Metro's responses and, accordingly, we express no opinion on the responses.

To the Board of Directors
Rio Metro Regional Transit District
Albuquerque, New Mexico
and
Mr. Hector Balderas, State Auditor

This report is intended solely for the information and use of management, Rio Metro's Board of Directors, others within Rio Metro, the State of New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
November 29, 2010

**Report on Compliance With Requirements
That Could Have a Direct and Material Effect on
Each Major Program And Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the Rio Metro Regional Transit District (Rio Metro), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Rio Metro's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Rio Metro's management. Our responsibility is to express an opinion on the Rio Metro's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination on Rio Metro's compliance with those requirements.

In our opinion, Rio Metro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-3.

Internal Control Over Compliance

Management of Rio Metro is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rio Metro's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-3. 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.

To the Board of Directors
Rio Metro Regional Transit District
and
Mr. Hector H. Balderas
New Mexico State Auditor

Rio Metro's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Rio Metro's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Rio Metro's Board of Directors, others within Rio Metro, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
November 29, 2010

**RIO METRO REGIONAL TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2010**

None – This is Rio Metro’s first year audit report.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness (es)? Yes None Reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness (es) Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
84.397A	State Fiscal Stabilization Fund - ARRA
20.505	Metropolitan Transportation Planning
20.509	Formula Grants for Other than Urbanized Areas

Dollar threshold used to distinguish between type A and type B programs

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Rio Metro has entered into an operations, maintenance, and management agreement with Mid-Region Council of Governments of New Mexico (MRCOG). Rio Metro reimburses MRCOG for payroll, rent, and other operating expenses, as disclosed in the footnotes to the financial statements. Rio Metro does not have employees. Therefore, the internal controls of MRCOG are critical to the operation of and accounting for Rio Metro, thus certain findings relating to MRCOG's controls that consequentially affect Rio Metro are reported as findings in this report.

10-1 Segregation of Duties

CONDITION

During our testing and review of management's design and implementation of internal controls, we noted that the MRCOG Finance Manager normally prepares journal entries and bank reconciliations and then the Rio Metro Finance Manager approves them. However, since staffing is limited, they each have complete *access* to the entire financial system and process, such as receipts, payments, and journal entries, which is a risk to Rio Metro. Additionally, there is no agreement of cash received, to the amount recorded, against the deposit slip by a person independent of the cash receipting process. Management does limit employee access to accounting software wherever possible and is conscious of having dual-control over transactions.

CRITERIA

Good accounting practices require segregation of duties to mitigate internal control weaknesses and material misstatements due to error or fraud.

EFFECT

The lack of adequate segregation of duties in some cases has caused weaknesses in the internal controls at Rio Metro and there is increased risk of error or unauthorized transactions.

CAUSE

The staff at MRCOG is limited and makes it difficult for adequate segregation of duties. Rio Metro relies on MRCOG's internal control structure. However, Rio Metro has not yet implemented mitigating controls with independent personnel outside the process.

RECOMMENDATION

We recommend that Rio Metro and MRCOG institute policies and procedures to correct the additional controls noted above. We recommend that someone independent of *access* to check preparation and deposits reconcile the bank statements, review journal entries, and check cash receipts.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

10-1 Segregation of Duties (Continued)

MANAGEMENT'S RESPONSE

Bank reconciliations are prepared using the accounting system; therefore, any person who prepares the bank reconciliations must have access to the accounting software to do so. The MRCOG Finance Manager usually prepares Rio Metro journal vouchers and the Rio Metro Finance Manger approves the journal vouchers. The MRCOG management will re-examine the current segregation of duties to determine weaknesses and the most appropriate duty assignments utilizing existing staff.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

10-2 Year-End Accruals and Year-End Cut-Off

CONDITION

During our testing of accounts payable, we noted 4 subsequent disbursements related to services performed before year-end, which should have been accrued as payables. The total adjustment to account for these transactions sums to \$415,337.

CRITERIA

Governmental Accounting Standards Board (GASB) Codification 1600 .102 states that: "Under the *cash* basis of accounting, revenues and transfers in are not recognized until cash is received, and expenditures or expenses (as appropriate) and transfers out are recognized only when cash is disbursed. Under the *accrual* basis of accounting, most transactions are recognized when they occur, regardless of when cash is received or disbursed. Items not practicably measurable until cash is received or disbursed are accounted for at that time using either basis of accounting as may be items whose measurement would be approximately the same under either basis or that are immaterial."

EFFECT

This caused a large adjustment to accounts payable/expenditures, the corresponding accounts receivable/revenues, and a material misstatement to the financial statements.

CAUSE

Accounts payable had not been properly recorded or reconciled because Rio Metro's Finance Department was concerned that the Organization would not be reimbursed for these invoices if Rio Metro recorded them, as required by accrual accounting, into the fiscal year under audit since the reimbursement requests had already been submitted.

RECOMMENDATION

We recommend that a thorough review of subsequent disbursements occur to ensure that accounts payable posted for year end is properly recorded and that any timing issues with granting agencies be adjusted on the next reimbursement request.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

10-2 Year-End Accruals and Year-End Cut-Off (Continued)

MANAGEMENT'S RESPONSE

The Rio Metro RTD Finance Department is well aware that invoices for goods and services provided during the fiscal year need to be accrued into that particular fiscal year. However, the New Mexico Department of Transportation (NMDOT) set a deadline of 15 days for Rio Metro to close out its fiscal year and submit invoices to them for reimbursement of costs. Rio Metro was concerned that showing expenses in FY10, while reporting them to the NMDOT in FY11, would create confusion and discrepancies between the MRCOG and the NMDOT financial records. In the future, the MRCOG will work with the NMDOT to resolve the issues related to year-end accruals and will implement year-end procedures to make sure accruals are reflected in the financial statements prepared for audit review.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD

10-3 Compliance over Reporting

Grant A) ARRA – State Fiscal Stabilization Fund – CFDA 84.397A
Grant Period: 4/14/10 through 8/30/10

Grant B) Formula Grants for Other than Urbanized Areas – CFDA 20.509
Grant Period: 10/1/09 through 9/30/10

QUESTIONED COSTS – None

CONDITION

It was noted during our testing of reporting that the June 30th quarterly financial report (SF269) required for Grant A, per the grant agreement, was not submitted. It was also noted during our testwork of reporting, two instances of noncompliance for Grant B: monthly reports were submitted late and the quarterly reports were not submitted.

CRITERIA

Grant A) Per the grant agreement:

- 1) “Subgrantee shall make quarterly Performance and Financial Reports to the Agency. The reports shall contain such information, be on such forms, and be submitted in such manner as may be prescribed from time to time by Agency.”
- 2) “Subgrantee shall submit one (1) Performance Report and one (1) Financial Report with original signatures to Agency on a quarterly basis throughout the term of this Agreement. The quarter end dates are March 31, June 30, September 30, and December 31. Performance and Financial reports are due thirty (30) calendar days after conclusion of the quarter covered by the report; i.e. April 30, July 30, October 30, and January 30. These Performance and Financial reports are in addition to any other reporting required under ARRA or otherwise in this Agreement.”

Grant B) Per the grant agreement:

- 1) “Monthly Reporting – A Monthly Report shall be submitted electronically by the SUBGRANTEE to include financial expenditures and ridership. This monthly report or invoice, shall be generated through the New Mexico State Transit Accounting and Ridership System (NMSTARS), and submitted to the DEPARTMENT by the 25th of the following month.”
- 2) “Quarterly Reporting – A “Quarterly Report” shall be submitted electronically by SUBGRANTEE utilizing NMSTARS. This report shall be submitted to the DEPARTMENT by the 25th of the month following the end of the quarter.”

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD
(CONTINUED)**

10-3 Compliance over Reporting (Continued)

EFFECT

Rio Metro is noncompliant with the grant requirements related to reporting policies. Late reports could potentially cause a decrease in federal funding.

CAUSE

During the transition to new staff because of turnover, Rio Metro was not aware of the requirements of the grant agreements and did not have adequate controls in place to ensure timely submission of required reports by the due date.

RECOMMENDATION

We recommend that Rio Metro obtain copies of grant agreements for all grants, review for specific compliance and reporting requirements, and ensure these items are tracked to ensure those specific compliance requirements are reported as required. We recommend that Rio Metro implement a tracking and monitoring system to ensure reporting requirements for each grant are fulfilled completely and on-time.

MANAGEMENT RESPONSE

The MRCOG has hired a Grant Manager who is responsible for grant management and compliance.

**RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

D. FINDINGS – COMPLIANCE AND OTHER MATTERS

10-4 Travel and Per Diem

CONDITION

During our testing, we noted 1 instance one out of 6 travel and per diem items tested that was supported by a credit card receipt but no itemized receipt for reimbursement. We also noted on 1 out of 6 travel and per diem items tested the odometer reading was not completed on the mileage form.

CRITERIA

Per section IV.D.1.d of the travel regulations for employees and public officers “The employee or public officer must submit itemized receipts for the actual meal and lodging expense incurred. Summary credit card receipts will not be accepted.” Per section IV.C.2 of the travel regulations for employees and public officers “Expenses may be reimbursed for actual mileage if the beginning and ending odometer readings are certified as correct by the traveler.” Good accounting practices require that all purchases should be supported by an itemized receipt in order to establish the legitimacy of the purchase and to reconcile purchases and credit card statements.

EFFECT

Employees were reimbursed for expenses that potentially may not be allowed per Rio Metro’s policy. The lack of supporting documentation increases the risk of unauthorized purchases that may lack a valid business purpose.

CAUSE

Reimbursement requests were not properly reviewed before they were approved.

RECOMMENDATION

We recommend that Rio Metro review and follow the travel regulations for employees and public officers and put in place a review process that ensures only allowable expenses are reimbursed by examination of itemized receipts.

MANAGEMENT’S RESPONSE

Rio Metro will review and follow the travel regulations, and require itemized receipts for reimbursement of travel expenses.

**RIO METRO REGIONAL TRANSIT DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2010**

An exit conference was held on November 29, 2010 in a closed session. The contents of this report were discussed. Present at the exit conference were:

Representing Rio Metro Regional Transit District:

Isaac Benton	Board Member
Debbie O'Malley	Board Member
Dewey Cave	Executive Director
Chris Blewett	Rio Metro Director
Janice Borchardt	MRCOG Finance Manager
Josi Vigil	Rio Metro Finance Manager

Representing Moss Adams LLP:

Scott Eliason, CPA	Assurance Partner
Audrey J. Jaramillo, CPA, CFE	Assurance Senior Manager

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.