

**RIO METRO REGIONAL
TRANSIT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2017**

RIO METRO REGIONAL TRANSIT DISTRICT

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RIO METRO REGIONAL TRANSIT DISTRICT

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INTRODUCTORY SECTION

RIO METRO REGIONAL TRANSIT DISTRICT

OFFICIAL ROSTER

Board Members

City of Albuquerque	Mayor	Richard J. Berry
City of Albuquerque	Councilor	Patrick Davis
City of Albuquerque	Councilor	Don Harris
City of Albuquerque	Councilor	Isaac Benton
City of Albuquerque	Councilor	Ken Sanchez
City of Albuquerque	Councilor	Diane Gibson
City of Albuquerque	Councilor	Rob Perry
City of Belen	Mayor	Jerah Cordova
Bernalillo County	Commissioner	Maggie Hart Stebbins
Bernalillo County	Commissioner	Steven Michael Quezada
Bernalillo County	Commissioner	Debbie O'Malley
Town of Bernalillo	Mayor	Jack S. Torres
Village of Bosque Farms	Mayor	Wayne Ake
Village of Corrales	Councilor	David Dornburg
Village of Los Lunas	Mayor	Charles Griego
Los Ranchos de Albuquerque	Mayor	Donald Lopez
City of Rio Communities	Councilor	Mark Gwinn
City of Rio Rancho	Councilor	Jim Owen
City of Rio Rancho	Councilor	Dawn Robinson
Sandoval County	Commissioner	James Dominguez
Valencia County	Commissioner	Charles Eaton

FINANCIAL SECTION

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Rio Metro Regional Transit District (Rio Metro), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Rio Metro's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison schedules presented as required supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rio Metro's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rio Metro as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion the financial statements referred to above present fairly in all material respects, the budgetary comparisons presented as required supplementary information of Rio Metro for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, page numbers 5 to 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rio Metro's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements, and the schedule of pledged collateral, as required by the New Mexico State Audit Rule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

The schedule of expenditures of federal awards, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements, and schedule of pledged collateral are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, description of non-major special revenue funds, the combining and individual non-major special revenue fund financial statements, and schedule of pledged collateral are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The introductory section required by the New Mexico State Audit Rule are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2017, on our consideration of the 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 in considering Rio Metro's internal control over financial reporting and compliance.

Ricci & Company LLC
Albuquerque, New Mexico
December 6, 2017

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Rio Metro Regional Transit District (Rio Metro or RMRTD) management's discussion and analysis provides an overview of Rio Metro's mission and function, recent program opportunities, and 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 a 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 analysis, was applied to define the service and infrastructure investments identified in the plan.

The services currently provided within the transit district are comprised of independently operated systems. The public transportation modes included in the Rio Metro 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.

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

Regional Transit Gross Receipts Tax was established by State Statute and individual County ballot measures. Accordingly, "revenue from the county regional transit gross receipts tax will be used by the Rio Metro Regional Transit District in equal portions for the management, operations, capital construction or maintenance of the NMRX, and for

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

management, operations, capital, construction or maintenance of the Rio Metro Regional Transit District system”, pursuant to the Regional Transit District Act. Furthermore, the Regional Transit District Act defines “regional transit system” to mean “a property, improvement or system designed to be compatible with established state and local transportation plants that transports or conveys passengers within a region by means of high-occupancy vehicle, including an automobile, truck, bus, van or railcar.” As a matter of practice, RMRTD budgets only 50% of the Regional Transit Gross Receipts Tax proceeds for NMRX operations and maintenance. However, the law allows a higher percentage and leaves that discretion to the district.

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

REGIONAL TRANSIT GROSS RECEIPTS TAX

Rio Metro began receiving Regional Transit Gross Receipts Taxes as of September 2009, Regional Transit Gross Receipts Taxes are received from Bernalillo, Sandoval and Valencia Counties.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Rio Metro’s finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Rio Metro’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Rio Metro is improving or deteriorating. The statement of activities presents information showing how the Rio Metro’s net position changed during

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as expenses pertaining to earned but unused vacation and sick leave. All of Rio Metro's activities are reported under governmental-type activities and there are no component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Rio Metro, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Rio Metro are governmental funds. The focus of governmental fund financial statements is the near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Rio Metro maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Gross Receipts Tax Rail, Gross Receipts Tax Transit, Federal Transit Administration (FTA) State of Good Repair all of which are considered to be major funds.

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

Notes to the Financial Statements

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

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Budgetary Comparisons

Rio Metro maintains a budget for informational and managerial purposes. The budget is approved by Rio Metro's Board of Directors and the State of New Mexico Department of Finance and Administration's Local Government Division, pursuant to Section 6-6-2 NMSA. As required by the Office of the State Auditor Rule, 2 NMAC 2.2, a budgetary comparison statement has been provided for the transit program and the rail program.

FINANCE ANALYSIS OF RIO METRO

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Rio Metro, assets exceeded liabilities by \$15.8 million at the close of the most recent fiscal year. The net position increased by \$0.4 million.

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

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

NET POSITION

Table A-1 summarizes the Rio Metro's net position for the fiscal year ended June 30, 2017. Net position is presented on a consolidated basis and is reflected on a full accrual basis.

Table A-1
Rio Metro's Net Position

	Governmental Activities 6/30/16	Governmental Activities 6/30/17
Current assets	\$ 16,425,342	\$ 16,789,663
Capital assets, net of accumulated depreciation	<u>2,689,736</u>	<u>2,795,578</u>
Total assets	<u>\$ 19,115,078</u>	<u>19,585,241</u>
Total current liabilities	\$ 3,398,673	\$ 3,596,769
Long-term debt	<u>378,278</u>	<u>235,917</u>
Total liabilities	<u>3,776,951</u>	<u>3,832,686</u>
Net position		
Net investment in capital assets	2,174,027	2,417,301
Restricted	12,264,098	12,435,252
Unrestricted	<u>900,002</u>	<u>900,002</u>
Total net position	<u>15,338,127</u>	<u>15,752,555</u>
Total liabilities and net position	<u>\$ 19,115,078</u>	<u>\$ 19,585,241</u>

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Changes in net position: Rio Metro's change in net position for fiscal year 2017 was an increase of \$0.4 million. The table below reflects the changes in net position:

Table A-2
Changes in Rio Metro's Net Position

	Governmental Activities 6/30/16	Governmental Activities 6/30/17
Expenses – governmental activities	\$ (43,756,153)	\$ (46,252,729)
Add: Charges for services	4,482,874	4,549,389
Operating grants	16,359,976	16,253,217
	<u>(22,913,303)</u>	<u>(25,450,123)</u>
General revenues – total	<u>25,152,800</u>	<u>25,864,551</u>
Change in net position	2,239,497	414,428
Net position, beginning of year	<u>13,098,630</u>	<u>15,338,127</u>
Net position, end of year	\$ <u>15,338,127</u>	\$ <u>15,752,555</u>

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, Rio Metro's governmental funds reported combined ending fund balances of \$13.3 million, an increase of \$0.2 million in comparison with prior year.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Rio Metro's total Governmental Funds expenditures during the year were nearly \$46.5 million dollars for year ending June 30, 2017, compared to \$44.3 million in 2016. Thirty-one percent (31%) of those expenditures were for operating the New Mexico Rail Runner Express commuter rail system. The Rail Runner is an operating activity and the commuter rail system has been in operations for several years. Transit operations; however, is a relatively new venture for Rio Metro and expenditures will increase as Rio Metro implements the projects outlined in the Regional Transit Plan.

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 6/30/16	Governmental Activities 6/30/17
Revenues		
Federal	\$ 13,665,920	\$ 12,040,801
State	902,451	3,426,101
Local	25,152,800	25,864,551
Charges for service	2,390,399	2,240,175
BNSF/AMTRAK	2,092,475	2,309,214
Other	1,791,605	786,315
Total revenues	<u>45,995,650</u>	<u>46,667,157</u>
Expenditures		
Operations	43,252,385	45,631,043
Capital outlay	1,057,501	864,960
Total expenditures	<u>44,309,886</u>	<u>46,496,003</u>
Revenues over expenditures	1,685,764	171,154
Beginning fund balances	<u>11,478,336</u>	<u>13,164,100</u>
Ending fund balances	<u>\$ 13,164,100</u>	<u>\$ 13,335,254</u>

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Analysis of Major Funds

General Fund (Fund 1000): The General Fund is where Rio Metro records revenues such as BNSF/Amtrak, NMRX farebox, bike locker, special projects, advertising, merchandising, and permitting in rail operations. In fiscal year 2017, these revenues totaling \$0.7 million were reported in the General Fund.

Rail Gross Receipts Tax (Fund 1200): The Rail GRT fund is where Rio Metro includes the transit portion of Gross Receipts Tax revenue when it is received. In fiscal year 2017, Rio Metro also reported rail operations in this fund. When Rio Metro allocates revenue at the end of each month, the Rail GRT revenue is allocated to the various rail funds as needed to cover expenses. As of June 30, 2017, the fund balance in the rail GRT fund was \$5.0 million, an increase of \$2.4 million from last year.

Transit Gross Receipts Tax (Fund 1300): The Transit GRT fund is where Rio Metro includes the transit portion of Gross Receipts Tax revenue when it is received. In fiscal year 2017, Rio Metro also reported transit operations in this fund. When Rio Metro allocates revenue at the end of each month, the Transit GRT revenue is allocated to the various transit funds as needed to cover expenses. As of June 30, 2017, the fund balance in the Transit GRT fund was \$7.5 million, a decrease of \$2.2 million from last year.

FTA Direct (Fund 2100): Federal funding received directly from FTA. Funds may be used for capital projects to finance the planning, acquisition, construction, cost-effective lease, improvement, and maintenance of equipment and facilities for use in transit. Funds may also be used to finance operating costs in urbanized areas with populations under 200,000. Expenditures approximated \$14.5 million and there is no fund balance as of the end of the year.

NM State Department of Transportation (Fund 4100): State Funding from NMDOT for various projects. Expenditures approximated \$3.4 million and there is no fund balance as of the end of the year.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Significant Variations between Original and Final Budget Amounts

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

- Rail Program revenues – the federal and state program revenues did not materialize as expected and the budget was adjusted by approximately \$14.4 million to reflect these decreases.
- Rail Program expenditures – anticipated capital outlays for the fixed guideway and communication information systems did not materialize. The budget was adjusted downward by \$3.0 million.
- Transit Program revenues – the federal and state program revenues did not materialize as expected and the budget was adjusted by approximately \$3.7 million to reflect these decreases.
- Transit Program expenditures – the original budgets were adjusted to actual expenditures which decreased by approximately \$3.4 million due primarily to opportunities and needs not materializing for land acquisition, vehicles, and equipment.

Fund Balances

Fund balances as of June 30, 2016 were as follows:

- The fund balance in the General fund increased by \$736,375 leaving a fund balance of \$900,002 as of year-end.
- The fund balance in the Transit GRT decreased by \$572,740 leaving a fund balance of \$9.6 million as of year-end.
- The fund balance in the Rail GRT increase of \$1.5 million leaving a fund balance of \$2.6 million as of year-end.

Capital Assets

The Rio Metro's net investment in capital assets (net of debt) as of June 30, 2017 amounted to \$2.8 million. Capital assets consist of buildings, vehicles and equipment. Depreciation expense of \$634,432 was recorded in the current year. Additions of \$740,274 were added during the year ended June 30, 2016, consisting of vehicles, equipment and software.

**RIO METRO REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2017**

Debt

As of June 30, 2017, Rio Metro had total debt outstanding of \$378,277. This amount relates solely to the capital lease of the 550 Station building, located at 301 Rail Runner Ave, Bernalillo, NM.

Economic Factors and Next Year's Budgets

The primary source of funding for Rio Metro is the Regional Transit Gross Receipts Tax. While this tax is dependent on the state of the economy, Rio Metro is confident that there will be sufficient funding available to operate the New Mexico Rail Runner Express and provider transit services in the region Federal programs remain relatively consistent from fiscal year 2017 to 2018.

Request for Information

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

BASIC FINANCIAL STATEMENTS

RIO METRO REGIONAL TRANIST DISTRICT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
GOVERNMENT-WIDE
June 30, 2017

ASSETS

Current

Cash and cash equivalents	\$ 4,737,630
Accounts receivable	12,052,033

Total current assets	<u>16,789,663</u>
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Noncurrent

Capital assets, net of accumulated depreciation	<u>2,795,578</u>
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Total assets	<u>\$ 19,585,241</u>
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LIABILITIES

Current

Accounts payable	\$ 3,454,409
Capital lease obligation	142,360

Total current liabilities	<u>3,596,769</u>
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Long-term

Capital lease obligation	<u>235,917</u>
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Total liabilities	<u>3,832,686</u>
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NET POSITION

Net investment in capital assets	2,417,301
Restricted - special revenue funds	12,435,252
Unrestricted	900,002

Total net position	<u>15,752,555</u>
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Total liabilities and net position	<u>\$ 19,585,241</u>
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See Notes to Financial Statements.

RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
GOVERNMENT-WIDE
Year Ended June 30, 2017

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position for Governmental Activities</u>
Government Activities:				
General government				
Commuter rail activities	\$ 30,807,284	4,462,219	13,595,084	\$ (12,749,981)
Transit activities	15,445,445	87,170	2,658,133	(12,700,142)
	<u>\$ 46,252,729</u>	<u>4,549,389</u>	<u>16,253,217</u>	<u>(25,450,123)</u>
General Revenues				
New Mexico gross receipts taxes				<u>25,864,551</u>
Change in net position				414,428
Net position, beginning of year				<u>15,338,127</u>
Net position, end of year				<u><u>\$ 15,752,555</u></u>

See Notes to Financial Statements.

**RIO METRO REGIONAL TRANSIT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	Major Funds						Other Governmental Funds	Total Governmental Funds
	1000 General	Special Revenue Funds				4100 State		
	1200 GRT-Rail	1300 GRT - Transit	2100 FTA Direct					
ASSETS								
Cash and cash equivalents	\$ 4,737,630	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 4,737,630
Accounts receivable	104,441	3,100,967	2,181,904	4,642,667	1,707,006	315,048		12,052,033
Due from other funds	-	2,802,035	5,884,355	-	-	6,212		8,692,602
Total assets	<u>\$ 4,842,071</u>	<u>\$ 5,903,002</u>	<u>\$ 8,066,259</u>	<u>\$ 4,642,667</u>	<u>1,707,006</u>	<u>\$ 321,260</u>		<u>\$ 25,482,265</u>
LIABILITIES								
Accounts payable	\$ 52,147	\$ 947,638	\$ 586,371	\$ 1,314,190	426,889	\$ 127,174	\$ -	\$ 3,454,409
Due to other funds	3,889,922	-	-	3,328,477	1,280,117	194,086		8,692,602
Total liabilities	<u>3,942,069</u>	<u>947,638</u>	<u>586,371</u>	<u>4,642,667</u>	<u>1,707,006</u>	<u>321,260</u>		<u>12,147,011</u>
FUND BALANCES								
Unassigned	900,002	-	-	-	-	-	-	900,002
Restricted	-	4,955,364	7,479,888	-	-	-	-	12,435,252
Total fund balances	<u>900,002</u>	<u>4,955,364</u>	<u>7,479,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,335,254</u>
Total liabilities and funds balances	<u>\$ 4,842,071</u>	<u>\$ 5,903,002</u>	<u>\$ 8,066,259</u>	<u>\$ 4,642,667</u>	<u>1,707,006</u>	<u>\$ 321,260</u>		<u>\$ 25,482,265</u>
RECONCILIATION								
Fund balance								\$ 13,335,254
Amounts reported for governmental activities in the statement of net position are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund								2,795,578
Capital lease obligations are not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the statement of net position								(378,277)
Net position of governmental activities								<u>\$ 15,752,555</u>

See Notes to Financial Statements.

RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Years ended June 30, 2017

	Major Funds					Other Governmental Funds	Total Governmental Funds
	Special Revenue Funds						
	1000 General	1200 GRT-Rail	1300 GRT - Transit	2100 FTA Direct	4100 State		
REVENUES							
Intergovernmental							
Federal	\$ -	\$ -	\$ -	\$ 10,857,991	-	\$ 1,182,810	\$ 12,040,801
State	-	-	-	-	3,426,101	-	3,426,101
New Mexico Gross Receipts Tax	-	14,080,205	11,784,346	-	-	-	25,864,551
Farebox	-	2,153,005	2,975	65,934	-	18,261	2,240,175
BNSF/Amtrak	481,091	1,828,123	-	-	-	-	2,309,214
Special projects and other	215,156	3,355	171,248	-	-	396,556	786,315
Total assets	696,247	18,064,688	11,958,569	10,923,925	3,426,101	1,597,627	46,667,157
EXPENDITURES							
Current							
Operating	567,744	14,606,740	10,904,871	14,380,674	3,426,101	1,744,913	45,631,043
Capital outlay	-	-	122,876	139,470	-	602,614	864,960
	567,744	14,606,740	11,027,747	14,520,144	3,426,101	2,347,527	46,496,003
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	128,503	3,457,948	930,822	(3,596,219)	-	(749,900)	171,154
OTHER FINANCING SOURCES/USES							
Operating transfers in	-	11,823,816	10,853,524	3,596,219	-	749,900	27,023,459
Operating transfers out	(128,503)	(12,916,734)	(13,978,222)	-	-	-	(27,023,459)
Net change in fund balance	-	2,365,030	(2,193,876)	-	-	-	171,154
Fund balance, beginning of year	900,002	2,590,334	9,673,764	-	-	-	13,164,100
Fund balance, end of year	\$ 900,002	\$ 4,955,364	\$ 7,479,888	\$ -	-	\$ -	\$ 13,335,254
RECONCILIATION							
Change in fund balance-total government funds							\$ 171,154
Amounts reported for governmental activities in the statement of net position are different because:							
Depreciation is not recorded as a financial use							(634,432)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported							740,274
Principal payments on capital lease obligations							137,432
Change in net position of governmental activities							\$ 414,428

See Notes to Financial Statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

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

Basic Financial Statements

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

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental 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. It is always a major 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. The major special revenue funds presented in the fund financial statements include the following:

- Rail Gross Receipts Tax (1200) - Rail fund where Rio Metro includes the rail portion of the New Mexico Regional Transit Gross Receipts Tax (GRT) revenue when it is received. Rail operations are also reported in this fund. The use of the revenue in this fund is restricted by the ordinances in the counties where the GRT revenue is collected. When Rio Metro allocates revenue at the end of the month, the Rail GRT revenue is allocated to the various rail funds as needed to cover expenses.
- Transit Gross Receipts Tax (1300) - Transit fund where Rio Metro includes the transit portion of New Mexico Regional Transit Gross Receipts Tax (GRT) revenue when it is received. The use of the revenue in this fund is restricted by the ordinances in the counties where the GRT revenue is collected. Transit operations are also reported in this fund. When Rio Metro allocates revenue at the end of the month, the Transit GRT revenue is allocated to the various transit funds as needed to cover expenses.
- FTA Direct (2100) - Federal funding received directly from the Federal Transit Administration (FTA) for various projects. The use of the revenue in this fund is restricted by the related grant agreements and federal regulations.
- NM State Department of Transportation (4100) – State Funding from NMDOT for various Projects.

Basis of Accounting

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

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

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

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

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

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets acquired are recorded as expenditures in the funds which finance the acquisitions and are capitalized at cost (except for those related to the NMRX for which DOT holds title) and depreciated over their estimated useful lives (no salvage value) in the government wide financial statements. Contributed capital assets are recorded at their estimated 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 the Rio Metro's capital assets. Rio Metro's capitalization policy, the dollar value above

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

which asset acquisitions are added to the capital assets, is \$5,000 per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Vehicles	5-10 years
Building	40 years

Rio Metro did not own any infrastructure assets as of June 30, 2017.

Budgets and Budgetary Accounting

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

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

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

Due To and From Other Funds

Due from other funds represent project costs paid 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, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

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

Fund Balance

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

- Non-spendable - fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- Committed - fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (RMRTD's Board of Directors) and does not lapse at year-end.
- Assigned – fund balance amounts that are intended to be used for the specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the management.
- Unassigned – positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Net Position

Net position includes the following components:

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

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

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

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

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

Rio Metro has evaluated subsequent events through November 22, 2017, the date the financial statements were available to be issued.

NOTE 2. DEPOSIT AND INVESTMENT ACCOUNTS

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

Securities pledged as collateral which are obligations of the State of New Mexico, its agencies, institutions, counties or municipalities or other subdivisions are accepted at par value; all other securities are accepted at market value. No security is required for the deposit of public money that is insured by the 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, in accordance with state statutes, is to collateralize one half of the uninsured public money in each deposit account. Amounts invested in overnight repurchase or sweep accounts are collateralized at 102% of the balance.

As of June 30, 2017, the amount of Rio Metro's bank balance of \$5,200,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,222,372
Uninsured and collateral held by pledging bank's trust department not in Rio Metro's name	2,727,628
Covered by FDIC insurance	<u>250,000</u>
	\$ <u>5,200,000</u>

**RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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, 2017:

Bank balance	
Sweep account – Wells Fargo Bank	\$ 5,513,256
Demand deposit – Wells Fargo Bank	5,200,000
Outstanding checks	<u>(5,975,626)</u>
Cash and equivalents per financial statements	\$ <u>4,737,630</u>

NOTE 3. ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2017 consisted of the following:

State and federal grant receivables	\$ 6,664,721
GRT receivable	5,269,691
Other receivables	<u>117,621</u>
Total	\$ <u>12,052,033</u>

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 4. INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS

Interfund accounts were as follows at June 30, 2017:

	Due To	Due From
General Fund #1000	\$ -	\$ 3,889,922
GRT Rail Fund #1200	2,802,035	-
GRT Transit Fund #1300	5,884,355	-
FTA Direct Fund #2100	-	3,328,477
FTA 5307 UA Formula Grants/Small Urban #2102	-	
FTA 5309 Capital Investment Grant #2103	-	5,171
FTA Through NMDOT Fund #2500	6,212	-
FHWA Congestion & Air Quality Improvement		6,376
FHWA Highway Safety Improvement Fund #3105	-	93,035
State Fund #4100	-	1,280,117
Other #6100	-	89,504
	<u> </u>	<u> </u>
Total	\$ 8,692,602	\$ 8,692,602

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 to be repaid within one year.

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

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

Interfund transfers were as follows for the year:

	Transfers	
	In	Out
General Fund #1000	\$ -	\$ 128,503
GRT Rail Fund #1200	11,823,816	12,916,734
GRT Transit Fund #1300	10,853,524	13,978,222
FTA Direct Fund #2100	3,596,219	-
FTA 5307 Large Urban Fund #2101	843	-
FTA 5309 Capital Investment Grants #2104	6,667	-
FTA Thru NMDOT Fund #2500	739,829	-
FHWA Congestion Air Quality #3101	2,561	-
Total	\$ 27,023,459	\$ 27,023,459

These transfers were made to utilize funds for transit and rail operations during the year ended June 30, 2017.

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follow:

	June 30, 2016	Additions	Disposals	June, 30 2017
Assets not depreciated				
Land-El Pueblo	\$ 98,375	-	-	98,375
Assets being depreciated				
Building	1,262,300	-	-	1,262,300
Building – El Pueblo Purchase	279,986	-	-	279,986
Software	563,242	79,229	-	642,471
Vehicles and equipment	3,114,621	661,045	(147,732)	3,627,934
Total assets	5,220,149	740,274	(147,732)	5,812,691
Accumulated depreciation				
Building	(205,123)	(31,558)	-	(236,681)
Building – El Pueblo Purchase	(40,130)	(11,199)	-	(51,329)
Software	(377,236)	(133,743)	-	(510,979)
Vehicles and equipment	(2,006,299)	(457,932)	147,732	(2,316,499)
Total accumulated depreciation	(2,628,788)	(634,432)	147,732	(3,115,488)
Net capital assets being depreciated	2,591,361	105,842	-	2,697,203
Net capital assets	\$ 2,689,736	105,842	-	2,795,578

Depreciation expense for the year ended June 30, 2017 was \$634,432 and was expensed to the transit activities function in the statement of activities.

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 6. INSURANCE COVERAGE

Rio Metro is subject to various risks of loss, which are covered through the purchase of commercial insurance and participation in the City of Albuquerque’s Risk Management Pool. Since Rio Metro employees are covered under 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:

<u>Insurer and Policy Type</u>	<u>Term</u>	<u>Coverage</u>
New Mexico Mutual (worker’s compensation)	2/12/17 – 2/12/18	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 Public Officials Liability	9/29/16 – 9/29/17	\$1,000,000 each occurrence. No general aggregate limit
Scottsdale Insurance Co. General liability	9/29/16 – 9/29/17	\$1,000,000/each occurrence, \$1,000,000 aggregate
Allianz Global Corporate & Specialty Property	7/1/16—7/1/17	\$833,857 EDP Equipment & Software \$424,154 Business Personal Property, other limitations apply
National Union Fire Insurance Co.	7/1/16 -7/1/17	1,000,000 employee theft/fraud
City of Albuquerque Risk Management Fund		Covered under limits of the Tort Claims Act of NM
Auto vehicles liability – MRCOG owned	Continuous policy	\$1,000,000 – property damage \$1,000,000 – per person for single occurrence
Scottsdale Insurance Co.		
Excess Auto	11/10/16 – 11/10/17	\$4,000,000 – Aggregate
Scottsdale Insurance Co.		
Commercial Automobile	11/10/16 – 11/10/17	\$1,000,000 – Single Limit \$5,000 – Medical Payments Any one person \$1,000,000 – Uninsured Motorist CSL \$1,272,069 – Collision \$1,272,069 – Comprehensive

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 6. INSURANCE COVERAGE (CONTINUED)

<u>Insurer and Policy Type</u>	<u>Term</u>	<u>Coverage</u>
Scottsdale Insurance Co.		
Commercial General Liability	11/10/16 – 11/10/17	\$2,000,000 – General Aggregate \$1,000,000 – Property Damage/ Each Occurrence \$1,000,000 – Personal & Advertising Injury \$5,000 – Medical Payments/Any one person \$500,000 – Damage to Premises
Scottsdale Insurance Co.		
Excess Liability	11/10/16- 11/10/17	\$4,000,000 – Annual Aggregate \$4,000,000 – Each Occurrence

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 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, 2016 through June 30, 2017.

NOTE 7. CONTINGENCIES

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

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

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. CAPITAL LEASE

Rio Metro has entered into a lease purchase agreement with Sandoval County for the purchase of land and building in the amount of \$1,262,300. Rio Metro has an option to purchase the property for the outstanding balance anytime during the term of the lease. The term of the agreement is 10 years and the interest rate is 3.5285%.

The following amounts are outstanding as of June 30:

2018	\$	153,420
2019		153,420
2020		89,495
Amount representing interest		<u>(18,058)</u>
		378,277
Current		142,360
Long-term		<u>235,917</u>
	\$	<u>378,277</u>

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

June 30, <u>2016</u>	<u>Payments</u>	June 30, <u>2017</u>
\$ 515,709	\$ 137,432	\$ 378,277

NOTE 9. OPERATING LEASES

Rio Metro is committed under various operating leases, primarily on a month to month basis. Rent expenditures were \$286,055 for the year ended June 30, 2017.

NOTE 10. OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES AGREEMENT

Rio Metro has entered into an agreement with the MRCOG for operating services. MRCOG handles all payroll processing for Rio Metro and then invoices them for their share. Therefore, there is no payroll on Rio Metro's books. MRCOG also provides operational and administrative support, such as office space, computer equipment and technical support, vehicles and vehicle maintenance, human resources, legal services, insurance, and other fiscal services. MRCOG was paid \$6,324,775 during the year ended June 30, 2017.

RIO METRO REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10. OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES
AGREEMENT (CONTINUED)

Herzog Transit Services, Inc. is the major service provider contracted through September 20, 2018 with Rio Metro's administrative entity, MRCOG, to operate and maintain the New Mexico Rail Runner Express. This vendor contract may be terminated by MRCOG for cause by giving written notice to Herzog ten days prior to the effective date of termination. MRCOG may also terminate the contract for convenience at any time by giving at least twenty days' notice in writing to Herzog. The amount paid from the Commuter Rail Operations fund during the year ended June 30, 2017 was \$24,380,107.

NOTE 11. RIO METRO REIMBURSEMENTS/INCURRED COSTS

The MRCOG pays for several expenses on behalf of Rio Metro. The MRCOG then invoices Rio Metro for these expenditures. These expenditures were \$7,217,353 for the year.

NOTE 12. RELATED ENTITY RECEIVABLES AND PAYABLES

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

Mid Region Council of Governments of New Mexico (MRCOG). Rio Metro's accounts payable balance to MRCOG was \$817,370 at June 30, 2017. Rio Metro had revenues of \$59,722 and expenditures of \$6,995,411 relating to MRCOG for the year then ended.

Regional Transit Gross Receipts Taxes. A portion of the taxes receivable balance of \$4,333,856 is comprised of taxes receivables from Bernalillo, Sandoval, and Valencia Counties, members of Rio Metro at June 30, 2017. Rio Metro had revenues of \$23,719,015 relating to Gross Receipts Taxes for the year ended June 30, 2017

City of Albuquerque. Rio Metro's accounts payable balance to the City of Albuquerque was \$6,356 at June 30, 2017. Rio Metro had revenues of \$3,570 and expenditures of \$4,788,008 relating to the City of Albuquerque for the year ended June 30, 2017.

City of Belen. Rio Metro had expenditures of \$339 relating to the City of Belen for the year ending June 30, 2017.

City of Rio Rancho. Rio Metro's accounts payable balance to the City of Rio Rancho was \$4,777 at June 30, 2017. Rio Metro had expenditures of \$53,766 relating to the City of Rio Rancho for the year ended June 30, 2017.

Village of Los Lunas. Rio Metro's accounts payable balance to the Village of Los Lunas was \$16,697 at June 30, 2017. Rio Metro had expenditures of \$210,487 relating to the Village of Los Lunas for the year ended June 30, 2017.

**RIO METRO REGIONAL TRANSIT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 12. RELATED ENTITY RECEIVABLES AND PAYABLES (CONTINUED)

Town of Bernalillo. Rio Metro’s accounts receivable balance from the Town of Bernalillo was \$90,582 at June 30, 2017. Rio Metro’s accounts payable balance to the Town of Bernalillo was \$257 at June 30, 2017. Rio Metro had revenues of \$252,233 and expenditures of \$1,668 relating to the Town of Bernalillo for the year ended June 30, 2017.

NOTE 13. RECONCILIATION OF BUDGETARY COMPARISONS

The budgetary comparisons are prepared at the program level. The following schedule reconciles the program budget amount to the fund financial statements for the year ended June 30, 2017.

	Per Budget Schedules			Total Per
	Transit Program	Rail Program	Reclassifications Eliminations	Financial Statements
Revenues	\$ 14,529,649	32,137,508	-	46,667,157
Expenditures	(15,523,525)	(30,972,478)	-	(46,496,003)
Transfers in	-	1,200,000	25,823,459	27,023,459
Transfers out	(1,200,000)	-	(25,823,459)	(27,023,459)
Change in fund balance	\$ (2,193,876)	2,365,030		171,154

SUPPLEMENTARY INFORMATION

**RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
TRANSIT PROGRAM
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 18,496,482	\$ 2,240,653	\$ 2,240,653	\$ -
New Mexico gross receipts tax	10,695,000	11,784,346	11,784,346	-
Farebox	75,000	87,170	87,170	-
State and other	4,449,327	417,480	417,480	-
Total revenues	<u>33,715,809</u>	<u>14,529,649</u>	<u>14,529,649</u>	<u>-</u>
EXPENDITURES				
Current				
Operating	31,743,773	14,948,445	14,948,445	-
Noncurrent:				
Capital outlay	558,800	575,080	575,080	-
Total expenditures	<u>32,302,573</u>	<u>15,523,525</u>	<u>15,523,525</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>1,413,236</u>	<u>(993,876)</u>	<u>(993,876)</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(1,200,000)	(1,200,000)	(1,200,000)	-
	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>
Change in fund balance	213,236	(2,193,876)	(2,193,876)	-
Fund Balance, beginning of year	9,673,764	9,673,764	9,673,764	-
Fund Balance, end of year	<u><u>\$ 9,887,000</u></u>	<u><u>\$ 7,479,888</u></u>	<u><u>\$ 7,479,888</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

RIO METRO REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
RAIL PROGRAM
Year Ended June 30,2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 25,533,107	\$ 9,800,148	\$ 9,800,148	\$ -
New Mexico gross receipts tax	15,440,000	14,080,205	14,080,205	-
Farebox	2,400,000	2,153,005	2,153,005	-
BNSF/AMTRAK	2,000,000	2,309,214	2,309,214	-
State and other	1,313,385	3,794,936	3,794,936	-
Total revenues	<u>46,686,492</u>	<u>32,137,508</u>	<u>32,137,508</u>	<u>-</u>
EXPENDITURES				
Current				
Operating	26,266,000	24,724,736	24,724,736	-
Noncurrent:				
Capital outlay	9,110,000	6,247,742	6,247,742	-
Total expenditures	<u>35,376,000</u>	<u>30,972,478</u>	<u>30,972,478</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>11,310,492</u>	<u>1,165,030</u>	<u>1,165,030</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers out	-	-	-	-
	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Change in fund balance	12,510,492	2,365,030	2,365,030	-
Fund Balance, beginning of year	2,590,334	2,590,334	2,590,334	-
Fund Balance, end of year	<u><u>\$ 15,100,826</u></u>	<u><u>\$ 4,955,364</u></u>	<u><u>\$ 4,955,364</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

RIO METRO REGIONAL TRANSIT DISTRICT
DESCRIPTION OF NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2017

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for various grants from Federal, State, and Local agencies and other sources which are restricted by the granting agency to use for expenditures for specified purposes. The following is a description of the purpose of the Non-Major Special Revenue Funds.

FTA 5307 UA Formula Grants/Large Urban (No. 2101) – Federal funding received directly from FTA. Provides funding for the Large Urbanized Area for operating and administrative expenditures related to bus and rail transit

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

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

FTA 5307 Flex Funds (No. 3101) – Federal funding transferred from the Federal Highway Administration (FHWA) to FTA where Rio Metro is the primary recipient of these funds. Provides funding for the acquisition of facility signage and equipment that will enhance the safety, security, and accessibility of Rio Metro commuter rail stations and bus stops

FHWA Highway Safety Improvement Program (No. 3105) – FHWA funding received from the NMDOT. Provides funding in the planning and development of an integrated, interconnected transportation system.

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

**RIO METRO REGIONAL TRANSIT DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017**

	Special Revenue Funds						
	FTA 5307 Large Urban #2101	FTA 5309 Capital Investment #2103	FTA thru NMDOT #2500	FHWA Congestion Air Quality #3101	FHWA Safety Improvement #3105	Other #6100	Total
ASSETS							
Cash and cash equivalents	\$ -	-	-	-	-	-	-
Accounts receivable	-	16,602	106,648	6,376	94,840	90,582	315,048
Due from other funds	-	-	6,212	-	-	-	6,212
Total assets	\$ -	16,602	112,860	6,376	94,840	90,582	321,260
LIABILITIES							
Accounts payable	\$ -	11,431	112,860	-	1,805	1,078	127,174
Due from other funds	-	5,171	-	6,376	93,035	89,504	194,086
Total liabilities	-	16,602	112,860	6,376	94,840	90,582	321,260
FUND BALANCES							
Restricted	-	-	-	-	-	-	-
Total liabilities and funds balances	\$ -	16,602	112,860	6,376	94,840	90,582	321,260

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 30,2017**

	Special Revenue						Total
	FTA 5307 Large Urban #2101	FTA 5309 Capital Investment #2103	FTA thru NMDOT #2500	FHWA Congestion Air Quality #3101	FHWA Safety Improvement #3105	Other #6100	
REVENUES							
Intergovernmental							
Federal	\$ 4,120	26,665	1,046,814	15,042	90,169	-	1,182,810
State	-	-	-	-	-	-	-
Farebox	-	-	18,261	-	-	-	18,261
Special projects and other	-	-	-	-	-	396,556	396,556
Total revenues	4,120	26,665	1,065,075	15,042	90,169	396,556	1,597,627
EXPENDITURES							
Current							
Operating	4,963	33,332	1,292,459	17,603	-	396,556	1,744,913
Capital outlay	-	-	512,445	-	90,169	-	602,614
Total expenditures	4,963	33,332	1,804,904	17,603	90,169	396,556	2,347,527
Excess of revenue over expenditures	(843)	(6,667)	(739,829)	(2,561)	-	-	(749,900)
OTHER FINANCING SOURCES/USES							
Operating transfers in	843	6,667	739,829	2,561	-	-	749,900
Operating transfers out	-	-	-	-	-	-	-
Change in fund balance	-	-	-	-	-	-	-
Fund balance, beginning of year	-	-	-	-	-	-	-
Fund balance, end of year	\$ -	-	-	-	-	-	-

See Notes to Financial Statements.

RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2017

Account	Description of Pledged Collateral	Type of Pledged Collateral	CUSIP Number	Sweep Collateral Value at June 30, 2017	Safe keeper
Rio Metro Sweep					
	Repurchase Agreement	Shares	3128MJWB2	\$ 5,607,608	Wells Fargo
	Accrued Interest	Interest	3128MJWB2	15,913	Wells Fargo
	Total Collateral			<u>5,623,521</u>	
	Bank Balance			<u>5,513,256</u>	
	Collateral required at 102%			<u>5,623,521</u>	
	Excess Collateral			<u>\$ -</u>	

Bank Accounts

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2017	Location of Safe keeper
Wells Fargo	FNMS	Bonds	5/1/2030	3128MMTK9	127,998	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	2/1/2043	3138NY4S1	57,315	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	2/1/2043	31417EUE9	254,669	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	2/1/2043	31417FZV3	\$ 2,287,646	Bank of New York Mellon
	Total Pledged Collateral				<u>\$ 2,727,628</u>	
	Bank Account Balances					
	Rio Metro demand deposit				<u>\$ 5,200,000</u>	
	Total Bank Balances				<u>5,200,000</u>	
	FDIC Coverage				<u>250,000</u>	
	Uninsured Amount				<u>4,950,000</u>	
	Collateral required at 50%				<u>2,475,000</u>	
	Pledged Collateral				<u>2,727,628</u>	
	Excess Collateral				<u>\$ 252,628</u>	

RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

<u>U.S. Department of Transportation</u>	Federal CFDA Number	Award Number	Activity Number	Federal Expenditures
<i>Federal Transit Administration (FTA)</i>				
<i>Federal Transit Cluster</i>				
<i>Direct</i>				
Federal Transit Capital Investment Grants (5309 Transit Asset Management System)	20.500	NM-04-0029	1001	\$ 26,665
Federal Transit Formula Grants (MAP 21 5307 NMRX PM)	20.507	NM-90-X130	2039/2040	125,564
Federal Transit Formula Grants (5307 BRT Study Phase II)	20.507	NM-90-X097	6020	1,782
Federal Transit Formula Grants (5307 Community Services Operating)	20.507	NM-2016-021	4070	136,340
Federal Transit Formula Grants (5307 Rail PM, Security, AT1)	20.507	NM-90-X123	2022	90,000
Federal Transit Formula Grants (5307 STPU Facility Improvements)	20.507	NM-95-X019	2026	61,267
Federal Transit Formula Grants (5307 Transit Facility Equipment and Signage)	20.507	NM-95-X015	1006	15,042
Federal Transit Formula Grants (DMAQ Travel Demand Management)	20.507	NM-2016-020	7021	6,863
Federal Transit Formula Grants (MAP 21 5307 Bus Operations & Admin Exp)	20.507	NM-2016-024	4069	251,795
Federal Transit Formula Grants (MAP 21 5307 Bus Operations & Admin Exp)	20.507	NM-2017-009	4073	579,802
Federal Transit Formula Grants (MAP 21 5307 NMRX PM)	20.507	NM-2016-022	2048	6,759,274
Federal Transit Formula Grants (MAP 21 5307 SU Operating)	20.507	NM-90-X122	4060	214,919
Total Federal Transit Formula Grants Direct				<u>8,242,648</u>
<i>Passed through Mid-Region Council of Governments</i>				
Federal Transit Formula Grants (5307 Transit Amenities)	20.507	NM-95-X012	1010	2,338
Total Federal Transit Formula Grants				<u>8,244,986</u>
<i>Direct</i>				
State of Good Repair Grants Program (5337 Rail PM)	20.525	NM-2016-023	2049	1,635,967
State of Good Repair Grants Program (5337 Rail PM)	20.525	NM-54-0002	2036	996,200
Total State of Good Repair Grants				<u>2,632,167</u>
<i>Passed through State of New Mexico Department of Transportation</i>				
Bus and Bus Facilities Formula Program (Section 5339)	20.526	M01426	4068	69,956
Total Federal Transit Cluster				<u>10,973,774</u>
<i>Transit Services Program Cluster</i>				
<i>Passed through State of New Mexico Department of Transportation</i>				
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310)	20.513	M01392	4066	272,000
Total Transit Services Program Cluster				<u>272,000</u>
<i>Passed through State of New Mexico Department of Transportation</i>				
Federal Highway Planning and Construction (Federal Highway Administration/Highway Safety Improvement Program)	20.205	D13744	1005	90,169
Formula Grants for Other Than Urbanized Areas (Section 5311)	20.509	M01393	4067	231,238
Formula Grants for Other Than Urbanized Areas (Section 5311)	20.509	M01458	4072	473,620
				<u>704,858</u>
Total Expenditures of Federal Awards				<u>\$ 12,040,801</u>

There are no awards passed through by Rio Metro to subrecipients.

**RIO METRO REGIONAL TRANSIT DISTRICT OF NEW MEXICO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Rio Metro Regional Transit District of New Mexico (Rio Metro) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Rio Metro, it is not intended to and does not present the financial position, changes in net position or cash flows of Rio Metro.

2. Summary of Significant Accounting Policies

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

3. Non-cash Assistance, Loans and Indirect Costs

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

4. Subrecipients

Rio Metro has no subrecipients.

COMPLIANCE



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

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, of the Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rio Metro's basic financial statements, and related budgetary comparisons of the Rio Metro presented as required supplementary information, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Rio Metro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rio Metro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rio Metro's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Ricci & Company LLC

Albuquerque, New Mexico
December 6, 2017



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Albuquerque, NM 87110
505 338 0800 office www.riccipa.com

**Report on Compliance For
Each Major Federal Program and Report on Internal Control
Over Compliance As Required by Uniform Guidance**

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

Report on Compliance for each Major Federal Program

We have audited the Mid-Region Council of Governments of Rio Metro Regional Transit District's (Rio Metro), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rio Metro's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

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

Auditor's Responsibility

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

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

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

Opinion on Each Major Federal Program

In our opinion, Rio Metro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
Rio Metro Regional Transit District

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

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

Ricci & Company LLC

Albuquerque, New Mexico
December 6, 2017

**RIO METRO REGIONAL TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

A. PRIOR YEAR AUDIT FINDINGS

No prior year audit findings noted.

**RIO METRO REGIONAL TRANSIT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's reported issued Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted? Yes No

Major Federal Awards

Internal control over financial reporting:

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

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

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

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Major Federal Program or Cluster</u>
20.500/20.507/20.525 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

RIO METRO REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2017

B. FINDINGS – FINANCIAL STATEMENTS

NONE

C. FINDINGS – FEDERAL AWARD

NONE

**RIO METRO REGIONAL TRANSIT DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2017**

EXIT CONFERENCE

An exit conference was held on November 28, 2016, to discuss the annual financial report. Attending were the following:

Representing the Rio Metro Regional Transit District:

Dewey Cave	Executive Director
Conni Vigil	Rio Metro Senior Finance Manager
Honorable Jack Torres	Board member
Terry Doyle	Director of Rio Metro Regional Transit District
Josephine Vigil	Rio Metro Finance Manager

Representing Ricci & Company, LLC:

Wayne Brown
Larry Carmony
Lee Baldwin

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the Rio Metro Regional Transit District. The financial statements and related footnotes remain the responsibility of management.