



RIO METRO
REGIONAL TRANSIT DISTRICT

BOARD OF DIRECTORS MEETING

Friday, March 20, 2020

12:00 p.m.

809 Copper Ave. N.W., Albuquerque, NM 87102

AGENDA

Call to Order

The presence of a quorum will be noted.

Approval of the March 20, 2020 Agenda

PUBLIC COMMENT

Tab 1 Anyone who wishes to address the RMRTD Board must register with the Secretary of the Board

FINAL ACTION ITEMS

Tab 2 **Accepting the Rio Metro Regional Transit District Fiscal Year 2018-2019 Audit**
R-20-04 RMRTD

Tab 3 **Approving the purchase of 1804 Idalia Road NW, Rio Rancho, NM 87124 by Rio Metro Regional Transit District for the Sandoval County Division Operations Headquarters**
R-20-05 RMRTD

DISCUSSION / INFORMATIONAL ITEMS

Tab 4 **PTC Update**

OTHER BUSINESS AND NOTES

Next Meeting: Friday, April 17, 2020 at 12:00 p.m.

Anyone requiring special accommodations is requested to notify Barbara Thomas at (505) 247-1750 or bthomas@mrcoq-nm.gov at least three days prior to the meeting.

RMRTD Board of Directors Meeting

Fri, Mar 20, 2020 11:30 AM - 2:00 PM (MDT)

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STAFF ANALYSIS OF

R-20-04 RMRTD

ACCEPTING THE RMRTD FY 2018-2019

Requested Action:

Approval of Resolution R-20-04:

Reason for Request:

Section 2.2.2.10.J (3)(d) NMAC requires that the audit be presented to the agency's governing authority at a public meeting for approval after the review by the state auditor.

Review/Analysis:

Review will be provided by Moss Adams at the meeting. The RMRTD FY 2019 Audit is an unqualified audit with no findings.



R-20-04 RMRTD

**ACCEPTING THE RIO METRO REGIONAL TRANSIT DISTRICT
FISCAL YEAR 2018-2019 AUDIT**

1 **WHEREAS**, the Rio Metro Regional Transit District (RMRTD) was formed in
2 accordance with the Regional Transit District Act, 73-25-1 to 73-25-18 NMSA 1978, and
3 is a political subdivision of the state of New Mexico; and
4 **WHEREAS**, Section 12-6-3 NMSA 1978 (Annual and Special Audits) mandates that:
5 (1) the financial affairs of every agency be thoroughly examined and audited each year
6 by the state auditor, personnel of his office designated by him, or by independent
7 auditors approved by him; (2) the comprehensive annual financial report for the state be
8 thoroughly examined and audited each year by the state auditor, personnel of his office
9 designated by him or by independent auditors approved by him; and (3) the audits be
10 conducted in accordance with generally accepted auditing standards and rules issued
11 by the state auditor; and
12 **WHEREAS**, The RMRTD 2018-2019 fiscal year audit was performed in accordance
13 with state requirements by Moss Adams; and
14 **WHEREAS**, the State Auditors review of the audit report required by Section 12-6-
15 14 (B) NMSA 1978 and 2.2.2.13 NMAC has been completed; and
16 **WHEREAS**, 2.2.2.10.J.(3)(d) NMAC requires that the audit be presented to the
17 agency's governing authority at a public meeting for acceptance;
18
19 **NOW, THEREFORE BE IT RESOLVED BY THE RMRTD BOARD OF**
20 **DIRECTORS**, that the RMRTD 2018-2019 Fiscal Year Audit is accepted.
21

22 **PASSED, APPROVED, AND ADOPTED** this 20th day of March 2020 by the
23 RMRTD Board of Directors.

Diane Gibson, Chair
RMRTD Board of Directors

ATTEST:

Dewey Cave
Chief Executive Officer



State of New Mexico Office of the State Auditor

CONSTITUENT SERVICES
(505) 476-3821

Via Email

February 10, 2020

SAO Ref. No. 4101

Dewey V. Cave, Executive Director
Rio Metro Regional Transit District

dcave@mrcog-nm.gov

Re: Authorization to Release FY2019 Rio Metro Regional Transit District Audit Report

The Office of the State Auditor (OSA) received the audit report for your agency on 12/17/2019. The OSA has completed the review of the audit report required by Section 12-6-14(B) NMSA 1978 and 2.2.2.13 NMAC. This letter is your authorization to make the final payment to the Independent Public Accountant (IPA) who contracted with your agency to perform the financial and compliance audit. In accordance with the audit contract, the IPA is required to deliver to the agency the number of copies of the report specified in the contract.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become a public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the OSA. Once the five-day period has expired, or upon the OSA's receipt of a written waiver:

- the OSA will send the report to the Department of Finance and Administration, the Legislative Finance Committee and other relevant oversight agencies;
- the OSA will post the report on its public website; and
- the agency and the IPA shall arrange for the IPA to present the report to the governing authority of the agency, per 2.2.2.10.M(4) NMAC, at a meeting held in accordance with the Open Meetings Act, if applicable.

Although no findings were reported in your report, please remember it is ultimately the responsibility of the governing authority of the agency to maintain adequate internal controls over financial reporting and compliance.

Sincerely,

A handwritten signature in blue ink, appearing to be "B. Colón", written over a horizontal line.

Brian S. Colón, Esq.
State Auditor

cc: Moss Adams LLP



REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

RIO METRO REGIONAL TRANSIT DISTRICT

June 30, 2019

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

City of Albuquerque	Mayor	Tim Keller
City of Albuquerque	Councilor, Chair	Diane Gibson
City of Albuquerque	Councilor	Isaac Benton
City of Albuquerque	Councilor	Cynthia Borrego
City of Albuquerque	Councilor	Don Harris
City of Albuquerque	Councilor	Klarissa Pena
City of Belen	Mayor	Jerah Cordova
Bernalillo County	Commissioner	Debbie O'Malley
Bernalillo County	Commissioner	Maggie Hart Stebbins
Bernalillo County	Commissioner	James Smith
Town of Bernalillo	Mayor	Jack S. Torres
Village of Bosque Farms	Mayor, Vice-Chair	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	Mayor	Mark Gwinn
City of Rio Rancho	Councilor	Jim Owen
City of Rio Rancho	Councilor	Dawnn Robinson
Sandoval County	Commissioner	David Heil
Valencia County	Commissioner	Charles Eaton

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information, and the budgetary comparison schedules of Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rio Metro's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Rio Metro as of June 30, 2019, and the respective changes in financial position and budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of Rio Metro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rio Metro's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rio Metro's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2019

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

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

Rio Metro's Mission and Function

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

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

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

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

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

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

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

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

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

REGIONAL TRANSIT GROSS RECEIPTS TAX

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Rio Metro's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of Rio Metro's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Rio Metro is improving or deteriorating. The statement of activities presents information showing how Rio Metro's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as expenses pertaining to earned but unused vacation and sick leave. All of Rio Metro's activities are reported under governmental-type activities and there are no component units.

Governmental Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

Budgetary Comparisons

Rio Metro maintains a budget for informational and managerial purposes. The budget is approved by Rio Metro's Board of Directors and the State of New Mexico Department of Finance and Administration's Local Government Division, pursuant to Section 6-6-2, NMSA. As required by the New Mexico State Audit Rule, 2.2.2 NMAC, budget and actual comparison statements have been provided for the transit program and the rail program.

FINANCIAL ANALYSIS OF RIO METRO

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2019, Rio Metro's total assets exceeded total liabilities by \$17,379,539. During the year ended June 30, 2019, Rio Metro's net position increased by \$179,000.

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

**Rio Metro Regional Transit District
Management's Discussion and Analysis
Year Ended June 30, 2019**

NET POSITION

Table A-1 summarizes the Rio Metro's net position for the year ended June 30, 2019. 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	
	June 30,	
	2018	2019
Current assets	\$ 18,558,309	\$ 37,396,466
Capital assets, net of accumulated depreciation	2,917,340	2,422,548
Total assets	<u>\$ 21,475,649</u>	<u>\$ 39,819,014</u>
Current liabilities	\$ 4,181,553	\$ 11,539,475
Long-term liabilities	93,557	10,900,000
Total liabilities	<u>4,275,110</u>	<u>22,439,475</u>
Net position		
Net investment in capital assets	2,681,423	2,334,097
Restricted	13,619,114	25,045,440
Unrestricted	900,002	(9,999,998)
Total net position	<u>17,200,539</u>	<u>17,379,539</u>
Total liabilities and net position	<u>\$ 21,475,649</u>	<u>\$ 39,819,014</u>

**Rio Metro Regional Transit District
Management's Discussion and Analysis
Year Ended June 30, 2019**

Rio Metro's change in net position for the year ended June 30, 2019 was an increase of \$179,000. Table A-2 summarizes the changes in net position for the years ended June 30, 2018 and 2019.

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

	Governmental Activities Year Ended June 30,	
	2018	2019
Expenses	\$ (48,684,846)	\$ (54,770,515)
Charges for services	4,171,543	4,091,654
Program operating grants and contributions	18,716,090	22,781,943
Net expenses	(25,797,213)	(27,896,918)
General revenues		
New Mexico gross receipts taxes	27,245,197	28,075,918
Change in net position	1,447,984	179,000
Net position		
Beginning of year	15,752,555	17,200,539
End of year	<u>\$ 17,200,539</u>	<u>\$ 17,379,539</u>

Financial Analysis of the Governmental Funds

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

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

As of June 30, 2019, Rio Metro's governmental funds reported combined ending fund balances of \$25.9 million, an increase of \$11.4 million in comparison with prior year.

Rio Metro's total expenditures during the year ended June 30, 2019 totaled approximately \$54.4 million, compared to \$48.9 million dollars during fiscal 2018. Thirty-seven percent (37%) of those expenditures were for operating the New Mexico Rail Runner Express commuter rail system. The Rail Runner is an operating activity and the commuter rail system has been in operations for several years. Transit operations is also included with no major service changes planned.

**Rio Metro Regional Transit District
Management's Discussion and Analysis
Year Ended June 30, 2019**

Table A-3 summarizes the revenues, expenditures, and changes in fund balances of the governmental funds:

Table A-3
Changes in Rio Metro's Revenues, Expenditures, and Changes in Fund Balances

	Year Ended June 30,	
	2018	2019
Revenues		
Federal	\$ 18,375,488	\$ 21,632,513
State	581	-
Local	27,245,196	28,075,917
Charges for service	2,076,597	2,010,564
BNSF/Amtrak	2,094,946	2,081,091
Other	340,022	1,149,429
Total revenues	<u>50,132,830</u>	<u>54,949,514</u>
Expenditures		
Operations	47,948,902	53,269,931
Capital outlay	1,000,067	1,153,256
Total expenditures	<u>48,948,969</u>	<u>54,423,187</u>
Excess of revenues over expenditures	1,183,861	526,327
Other financing sources		
Loan proceeds	-	10,900,000
Net change in fund balance	1,183,861	11,426,327
Fund balance		
Beginning of year	<u>13,335,254</u>	<u>14,519,115</u>
End of year	<u>\$ 14,519,115</u>	<u>\$ 25,945,442</u>

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

Analysis of Major Funds

General Fund (Fund 1000)

The General Fund includes revenues such as BNSF/Amtrak reimbursables, special projects, merchandising, and permitting in rail operations. During the year ended June 30, 2019, revenues totaling \$214,522 were reported in the General Fund.

Rail Gross Receipts Tax (Fund 1200)

The Rail GRT fund includes the rail portion of gross receipts tax revenue when it is received, including revenues for BNSF/Amtrak track usage, farebox, bike locker, and special projects. During the year ended June 30, 2019, 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, 2019, the fund balance in the Rail GRT fund was \$4.9 million, a decrease of \$1.0 million from June 30, 2018.

Transit Gross Receipts Tax (Fund 1300)

The Transit GRT fund includes the transit portion of gross receipts tax revenue when it is received, including revenues for farebox, special projects, and advertising. During the year ended June 30, 2019, 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, 2019, the fund balance in the Transit GRT fund was \$9.2 million, an increase of \$1.6 million from June 30, 2018.

FTA Direct (Fund 2100)

The FTA Direct fund includes federal funding received directly from the Federal Transportation Administration. Funds may be used for capital projects to finance the planning, acquisition, construction, cost-effective lease, improvement, and maintenance of equipment and facilities for use in transit. Funds may also be used to finance operating costs in urbanized areas with populations under 200,000 people. During the year ended June 30, 2019, expenditures in the FTA Direct fund approximated \$26.8 million and there is no fund balance as of June 30, 2019.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

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 portion of the original rail budget included both federal fiscal year 2018 and federal fiscal year 2019 anticipated FTA 5337 and FTA 5307 grant funds. These funds are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects actual grant funding reimbursed during the year for eligible expenses, and unused grant funding remains available in subsequent years. The budget was adjusted by approximately \$73.1 million to reflect match actual revenues.
- Rail Program expenditures – anticipated capital outlays for the fixed guideway and communication information systems did not materialize. The budget was adjusted downward by \$26.8 million.
- The overall Rail Program budget was originally based on the anticipation of beginning the PTC project during fiscal year 2019. The project was bid and awarded in fiscal year 2019, but the majority of revenues and expenditures related to the project will be realized in fiscal year 2020 and fiscal year 2021.
- Transit Program revenues – the federal portion of the original transit budget included both federal fiscal year 2018 and federal fiscal year 2019 federal grant funds, which are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects the actual grant funding reimbursed during the year for eligible expenses, and unused grant funding remains available in subsequent years. The budget was adjusted by approximately \$5.2 million to reflect these decreases.
- Transit Program expenditures – The federal portion of the original transit expenditure budget includes federal grant funds which are issued on a reimbursable basis for eligible expenses according to federal regulations. The final budget reflects the actual grant funding expended during the year for eligible expenses, and unused grant funding remains available in subsequent years. The original budgets were adjusted to actual expenditures, which decreased by approximately \$555,000 due primarily to budgeted projects which did not materialize this fiscal year.

Fund Balances

As of June 30, 2019, fund balances were as follows:

- The fund balance in the General Fund remained the same with a fund balance of \$900,002 as of year-end.
- The fund balance in the Rail GRT Fund decreased by \$1,067,625 resulting in a fund balance of \$4,898,347.
- The fund balance in the Transit GRT Fund increased by \$1,593,952 resulting in a fund balance of \$9,247,093.
- Rio Metro received loan proceeds totaling \$10,900,000 during the year resulting in a fund balance in the State SIB Fund of \$10,900,000.

Rio Metro Regional Transit District Management's Discussion and Analysis Year Ended June 30, 2019

Capital Assets

Rio Metro's net investment in capital assets, net of related debt, as of June 30, 2019 totaled \$2,334,097. Capital assets consist of buildings, vehicles and equipment. Depreciation expense of \$581,626 was recorded in the current year. Additions of \$86,834 were added during the year ended June 30, 2019, consisting of vehicles, and equipment.

Debt

As of June 30, 2019, Rio Metro had total debt outstanding of \$10,988,451. This amount comprises the remaining capital lease obligation on the 550 Station building, located at 301 Rail Runner Ave, Bernalillo, New Mexico and the loan with the New Mexico Department of Transportation.

Economic Factors and Next Year's Budgets

The primary source of funding for Rio Metro is the Regional Transit GRT. While this tax is dependent on the state of the economy, Rio Metro is confident that there will be sufficient funding available to operate the New Mexico Rail Runner Express and provide transit services in the region. Revenues from federal programs are expected to remain relatively consistent from fiscal year 2019 to 2020.

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.

Rio Metro Regional Transit District Statement of Net Position

	June 30, 2019
ASSETS	
Current assets	
Cash and cash equivalents	\$ 22,063,468
Accounts receivable	<u>15,332,998</u>
Total current assets	37,396,466
Capital assets, net of accumulated depreciation	<u>2,422,548</u>
TOTAL ASSETS	<u>\$ 39,819,014</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 11,451,024
Capital lease obligation	<u>88,451</u>
Total current liabilities	11,539,475
Note payable	<u>10,900,000</u>
Total liabilities	<u>22,439,475</u>
NET POSITION	
Net investment in capital assets	2,334,097
Restricted	25,045,440
Unrestricted	<u>(9,999,998)</u>
Total net position	<u>17,379,539</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 39,819,014</u>

Rio Metro Regional Transit District
Statement of Activities

Functions/ Programs	Year Ended June 30, 2019			
	Expenses	Charges for Services	Program Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
General government				
Commuter rail activities	\$ 39,691,616	\$ 4,023,864	\$ 19,374,087	\$ (16,293,665)
Transit activities	<u>15,078,899</u>	<u>67,790</u>	<u>3,407,856</u>	<u>(11,603,253)</u>
	<u>\$ 54,770,515</u>	<u>\$ 4,091,654</u>	<u>\$ 22,781,943</u>	(27,896,918)
GENERAL REVENUES				
New Mexico gross receipts taxes				<u>28,075,918</u>
CHANGE IN NET POSITION				179,000
NET POSITION				
Beginning of year				<u>17,200,539</u>
End of year				<u>\$ 17,379,539</u>

Rio Metro Regional Transit District

Balance Sheet

June 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General #1000	GRT-Rail #1200	GRT-Transit #1300	FTA Direct #2100	State SIB #4300	
ASSETS						
Cash and cash equivalents	\$ 22,063,468	-	-	-	-	\$ 22,063,468
Accounts receivable	31,815	3,202,761	2,206,349	9,606,518	-	15,332,998
Due from other funds	-	2,765,609	10,896,667	-	10,900,000	24,568,859
TOTAL ASSETS	<u>\$ 22,095,283</u>	<u>\$ 5,968,370</u>	<u>\$ 13,103,016</u>	<u>\$ 9,606,518</u>	<u>\$ 10,900,000</u>	<u>\$ 61,965,325</u>
LIABILITIES						
Accounts payable	\$ 5,362	\$ 1,070,023	\$ 3,855,923	\$ 6,272,512	-	\$ 11,451,024
Due to other funds	21,189,919	-	-	3,334,006	-	24,568,859
Total liabilities	21,195,281	1,070,023	3,855,923	9,606,518	-	36,019,883
FUND BALANCES						
Restricted	-	4,898,347	9,247,093	-	10,900,000	25,045,440
Unassigned	900,002	-	-	-	-	900,002
Total fund balances	900,002	4,898,347	9,247,093	-	10,900,000	25,945,442
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,095,283</u>	<u>\$ 5,968,370</u>	<u>\$ 13,103,016</u>	<u>\$ 9,606,518</u>	<u>\$ 10,900,000</u>	<u>\$ 61,965,325</u>
RECONCILIATION						
Total fund balances						\$ 25,945,442
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						2,422,548
Capital lease obligations are not recorded as liabilities in the governmental funds, but recorded as liabilities in the statement of net position						(88,451)
Notes payable are not recorded as liabilities in the governmental funds, but recorded as long-term liabilities in the statement of net position						(10,900,000)
Net position						<u>\$ 17,379,539</u>

See accompanying notes.

**Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019**

	Special Revenue Funds						Total Governmental Funds
	General #1000	GRT-Rail #1200	GRT-Transit #1300	FTA Direct #2100	State SIB #4300	Other Governmental Funds	
REVENUES							
Intergovernmental							
Federal	\$ -	\$ -	\$ -	\$ 20,487,824	\$ -	\$ 1,144,689	\$ 21,632,513
New Mexico Gross Receipts Tax	-	15,307,800	12,768,117	-	-	-	28,075,917
Farebox	-	1,942,774	4,575	42,990	-	20,225	2,010,564
BNSF/Amtrak	91,763	1,989,328	-	-	-	-	2,081,091
Special projects and other	122,759	25,178	198,771	-	-	802,721	1,149,429
Total revenues	214,522	19,265,080	12,971,463	20,530,814	-	1,967,635	54,949,514
EXPENDITURES							
Operating	154,224	15,651,611	8,873,623	25,800,410	-	2,790,063	53,269,931
Capital outlay	-	49,502	5,070	1,082,156	-	16,528	1,153,256
Total expenditures	154,224	15,701,113	8,878,693	26,882,566	-	2,806,591	54,423,187
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	60,298	3,563,967	4,092,770	(6,351,752)	-	(838,956)	526,327
OTHER FINANCING SOURCES/USES							
Loan proceeds	-	-	-	-	10,900,000	-	10,900,000
Operating transfers in	-	11,743,833	8,675,347	6,351,752	-	838,956	27,609,888
Operating transfers out	(60,298)	(16,375,425)	(11,174,165)	-	-	-	(27,609,888)
NET CHANGE IN FUND BALANCE	-	(1,067,625)	1,593,952	-	10,900,000	-	11,426,327
FUND BALANCE							
Beginning of year	900,002	5,965,972	7,653,141	-	-	-	14,519,115
End of year	\$ 900,002	\$ 4,898,347	\$ 9,247,093	\$ -	\$ 10,900,000	\$ -	\$ 25,945,442
RECONCILIATION							
Net change in fund balance							\$ 11,426,327
Amounts reported for governmental activities in the statement of net position are different because:							
Depreciation is not recorded as a financial use							(581,626)
Capital assets additions used in governmental activities are not financial resources and, therefore, are not reported							86,834
Debt proceeds provide current financial resources to governmental funds, but debt obligations increase long-term liabilities in the statement of net position							(10,900,000)
Principal payments on capital lease obligations							147,465
Change in net position							\$ 179,000

See accompanying notes.

Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and
Actual – Transit Program
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 7,708,418	\$ 2,805,281	\$ 2,805,281	\$ -
New Mexico gross receipts tax	13,702,886	12,768,117	12,768,117	-
Farebox	-	67,790	67,790	-
State and other	-	602,575	602,575	-
Total revenues	<u>21,411,304</u>	<u>16,243,763</u>	<u>16,243,763</u>	<u>-</u>
EXPENDITURES				
Current				
Operating	17,368,887	14,578,532	14,578,532	-
Noncurrent				
Capital outlay	1,893,371	71,275	71,275	-
Total expenditures	<u>19,262,258</u>	<u>14,649,807</u>	<u>14,649,807</u>	<u>-</u>
Excess of revenues over expenditures	<u>2,149,046</u>	<u>1,593,956</u>	<u>1,593,956</u>	<u>-</u>
OTHER FINANCING SOURCES/USES				
Transfers in	-	11,174,165	11,174,165	-
Transfers out	-	(11,174,165)	(11,174,165)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	2,149,046	1,593,956	1,593,956	-
FUND BALANCE				
Beginning of year	8,553,139	8,553,139	8,553,139	-
End of year	<u>\$ 10,702,185</u>	<u>\$ 10,147,095</u>	<u>\$ 10,147,095</u>	<u>\$ -</u>
RECONCILIATION TO FUND BALANCES				
General fund			\$ 900,002	
GRT-Transit fund			9,247,093	
Ending fund balance per financial statements			<u>\$ 10,147,095</u>	

Rio Metro Regional Transit District
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and
Actual – Rail Program
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Intergovernmental				
Federal	\$ 77,045,786	\$ 18,827,232	\$ 18,827,232	\$ -
New Mexico gross receipts tax	19,455,000	15,307,800	15,307,800	-
Farebox	2,200,000	1,942,774	1,942,774	-
BNSF/Amtrak	2,200,000	2,081,091	2,081,091	-
State and other	10,900,000	546,855	546,855	-
Total revenues	<u>111,800,786</u>	<u>38,705,752</u>	<u>38,705,752</u>	<u>-</u>
EXPENDITURES				
Current				
Operating	26,249,191	29,806,551	29,806,551	-
Noncurrent				
Capital outlay	40,350,788	9,966,829	9,966,829	-
Total expenditures	<u>66,599,979</u>	<u>39,773,380</u>	<u>39,773,380</u>	<u>-</u>
Excess of revenues over expenditures	<u>45,200,807</u>	<u>(1,067,628)</u>	<u>(1,067,628)</u>	<u>-</u>
OTHER FINANCING SOURCES/USES				
Loan Proceeds	-	10,900,000	10,900,000	-
Transfers in	1,200,000	16,435,723	16,435,723	-
Transfers out	-	(16,435,723)	(16,435,723)	-
	<u>1,200,000</u>	<u>10,900,000</u>	<u>10,900,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	46,400,807	9,832,372	9,832,372	-
FUND BALANCE				
Beginning of year	<u>5,965,975</u>	<u>5,965,975</u>	<u>5,965,975</u>	<u>-</u>
End of year	<u>\$ 52,366,782</u>	<u>\$ 15,798,347</u>	<u>\$ 15,798,347</u>	<u>\$ -</u>
RECONCILIATION TO FUND BALANCES				
GRT-Rail fund			\$ 4,898,347	
State SIB fund			<u>10,900,000</u>	
Ending fund balance per financial statements			<u>\$ 15,798,347</u>	

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

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

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

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

Basic Financial Statements

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

Rio Metro Regional Transit District Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

Governmental Funds

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

General Fund (1000) – The General Fund is the general operating fund of Rio Metro. It is 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 – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The major special revenue funds presented in the fund financial statements include the following:

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

Debt Service Fund – The State SIB Fund (4300) accounts for the resources accumulated for and the payment of long-term debt principal, interest and related costs of the note payable to the New Mexico Department of Transportation (NMDOT).

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

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Cash and Cash Equivalents

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

Capital Assets

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

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

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

Rio Metro did not own any infrastructure assets as of June 30, 2019.

Rio Metro Regional Transit District Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

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

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.

Receivables

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

Fund Balance

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

- Non-spendable – fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- Committed – fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (Rio Metro's Board of Directors) and does not lapse at year-end.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

- 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.

Use of Estimates

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

New Accounting Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognition of inflows of resources or outflows of resources based on the payment provisions of the lease contract. Under the Statement, a lessee will recognize a lease liability and an intangible right-to-use lease asset, and a lessor will recognize a lease receivable and a deferred inflow of resources. Management is evaluating the effect that the implementation of this Statement will have on Rio Metro's financial statements.

Rio Metro Regional Transit District Notes to Financial Statements

Note 2 – Deposit and Investment Accounts

Rio Metro invests its funds in accordance with state statutes which require that financial institutions pledge collateral of federal or state securities whose market value is equal to at least 50% of the deposits in excess of 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, 2019, the amount of Rio Metro's bank balance of the demand deposit totaling \$6,360,802 was exposed to custodial credit risk as follows:

DEMAND DEPOSITS	
Uninsured and uncollateralized	\$ 2,537,070
Uninsured and collateral held by pledging bank's trust department not in Rio Metro's name	3,573,732
Covered by FDIC insurance	250,000
	<u>\$ 6,360,802</u>

Following are the descriptions of cash and cash equivalents held as of June 30, 2019:

CASH AND CASH EQUIVALENTS	
Sweep account - Wells Fargo Bank	\$ 17,469,204
Demand deposit - Wells Fargo Bank	6,360,802
Outstanding checks	<u>(1,766,538)</u>
	<u>\$ 22,063,468</u>

Rio Metro Regional Transit District

Notes to Financial Statements

Note 3 – Accounts Receivable

Accounts receivable consist of the following as of June 30, 2019:

State and federal grant receivables	\$ 9,815,896
GRT receivables	4,837,305
Other	<u>679,797</u>
	<u><u>\$ 15,332,998</u></u>

Note 4 – Interfund Receivables/Payables and Interfund Transfers

Interfund accounts were as follows as of June 30, 2019:

	<u>Due From</u>	<u>Due To</u>
General Fund #1000	\$ 21,189,919	\$ -
GRT Rail Fund #1200	-	2,765,609
GRT Transit Fund #1300	-	10,896,667
FTA Direct Fund #2100	3,334,006	-
FTA Capital Investment Grants #2103	18,952	-
FTA through NMDOT Fund #2500	-	6,583
State SIB Fund #4300	-	10,900,000
Other Fund #6100	<u>25,982</u>	<u>-</u>
	<u><u>\$ 24,568,859</u></u>	<u><u>\$ 24,568,859</u></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 to be repaid within one year.

Interfund transfers made to utilize funds for transit and rail operations were as follows for the year ended June 30, 2019:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund #1000	\$ -	\$ 60,298
GRT Rail Fund #1200	11,743,833	16,375,425
GRT Transit Fund #1300	8,675,347	11,174,165
FTA Direct Fund #2100	6,351,752	-
FTA Capital Investment Grants #2103	29,354	-
FTA through MRCOG #2500	775,425	-
Other Federal #3100	17,899	-
FHWA Congestion Air Quality #3101	<u>16,278</u>	<u>-</u>
	<u><u>\$ 27,609,888</u></u>	<u><u>\$ 27,609,888</u></u>

Rio Metro Regional Transit District
Notes to Financial Statements

Note 5 – Capital Assets

Changes in capital assets are summarized as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
NONDEPRECIABLE ASSETS				
Land - El Pueblo	\$ 98,373	\$ -	\$ -	\$ 98,373
DEPRECIABLE ASSETS				
Building	1,262,300	-	-	1,262,300
Building - El Pueblo	279,986	-	-	279,986
Software	715,528	-	-	715,528
Vehicles and equipment	4,345,287	86,834	(239,382)	4,192,739
Total depreciable assets	<u>6,603,101</u>	<u>86,834</u>	<u>(239,382)</u>	<u>6,450,553</u>
ACCUMULATED DEPRECIATION				
Building	(268,238)	(31,557)	-	(299,795)
Building - El Pueblo	(62,528)	(11,199)	-	(73,727)
Software	(624,105)	(21,625)	-	(645,730)
Vehicles and equipment	<u>(2,829,263)</u>	<u>(517,245)</u>	<u>239,382</u>	<u>(3,107,126)</u>
Total accumulated depreciation	<u>(3,784,134)</u>	<u>(581,626)</u>	<u>239,382</u>	<u>(4,126,378)</u>
NET DEPRECIABLE ASSETS	<u>2,818,967</u>	<u>(494,792)</u>	<u>-</u>	<u>2,324,175</u>
NET CAPITAL ASSETS	<u>\$ 2,917,340</u>	<u>\$ (494,792)</u>	<u>\$ -</u>	<u>\$ 2,422,548</u>

Depreciation expense for the year ended June 30, 2019 totaled \$581,626 and was expensed to the transit activities function in the statement of activities.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 6 – Insurance Coverage

Rio Metro is subject to various risks of loss, which are covered through the purchase of commercial insurance and participation in the City of Albuquerque’s Risk Management Pool. Since Rio Metro employees are covered under MRCOG, they are covered by MRCOG’s insurance. The following insurance coverage was in effect as of June 30, 2019:

<u>Insurer and Policy Type</u>	<u>Term</u>	<u>Coverage</u>
New Mexico Mutual (Worker’s Compensation)	2/12/19 – 2/12/20	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	9/29/18 – 9/29/19	\$1,000,000 each occurrence
Scottsdale Insurance Co. General Liability	9/29/18 – 9/29/19	\$1,000,000 each occurrence
Allianz Global Corporate & Specialty Property	7/1/18—7/1/19	\$833,857 EDP Equipment & Software \$424,154 Business Personal Property, other limitations apply
National Union Fire Insurance Co.	7/1/18 -7/1/19	\$1,000,000 Employee theft/fraud
City of Albuquerque		Covered under limits of the Tort
Risk Management Fund Auto Vehicles Liability – MRCOG Owned	Continuous	Claims Act of NM \$1,000,000 Property damage \$1,000,000 Per person for single occurrence
Scottsdale Insurance Co. Commercial Automobile	11/10/18 – 11/10/19	\$1,000,000 Single limit \$5,000 Medical payments/ any one person \$1,000,000 Uninsured motorist Collision – Covered Comprehensive – Covered

Rio Metro Regional Transit District Notes to Financial Statements

Note 6 – Insurance Coverage (continued)

Scottsdale Insurance Co.

Commercial General Liability	11/10/18 – 11/10/19	\$2,000,000 general aggregate \$2,000,000 property damage/ each Occurrence \$1,000,000 Personal & advertising injury \$5,000 Medical payments/person \$500,000 Damage to premises
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Scottsdale Insurance Co.

Excess Liability	11/10/18 – 11/10/19	\$4,000,000 annual aggregate \$4,000,000 each occurrence
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According to the Memorandum of Agreement between Rio Metro, NMDOT, and MRCOG, Rio Metro and NMDOT have the joint duty of paying for all premiums for all property insurance and commercial liability insurance policies secured by the NMDOT to cover the NMRX, including liability insurance policies to fully insure Rio Metro and MRCOG from all risks and liability arising from, or on account of, Rio Metro's operation, maintenance, and administration of the NMRX or any other activity performed by Rio Metro with respect to the NMRX, including the selection, procurement, and oversight of the service of an operator and manager of the daily operations of the NMRX and NMDOT's participation in the NMRX. To satisfy these requirements, NMDOT obtained coverage through Risk Management Division of the State of New Mexico General Services Department and paid the premiums for the period July 1, 2018 through June 30, 2019.

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

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 ten years with an interest rate of 3.5285%. The remaining capital lease obligation outstanding of \$88,451 is due during the year ended June 30, 2020.

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

<u>June 30, 2018</u>	<u>Payments</u>	<u>June 30, 2019</u>
<u>\$ 235,916</u>	<u>\$ 147,465</u>	<u>\$ 88,451</u>

Note 9 – New Mexico Department of Transportation Loan

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

As of June 30, 2019, the annual debt service requirements on the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 19,710
2021	-	109,000
2022	-	109,000
2023	677,149	109,000
2024	683,921	102,229
2025-2029	3,523,570	407,176
2030-2034	3,703,307	227,339
2035-2037	2,312,053	46,394
	<u>\$ 10,900,000</u>	<u>\$ 1,129,848</u>

Note 10 – Operating Leases

Rio Metro has entered into various operating leases, primarily on a month-to-month basis. Rent expenditures were \$290,226 for the year ended June 30, 2019.

Rio Metro Regional Transit District Notes to Financial Statements

Note 11 – Operations, Maintenance, and Management Services Agreement

Rio Metro has entered into an agreement with the MRCOG for operating services. MRCOG handles all payroll processing for Rio Metro and then invoices them for their share. Therefore, there is no payroll on Rio Metro's books. MRCOG also provides operational and administrative support, such as office space, computer equipment and technical support, vehicles and vehicle maintenance, human resources, legal services, insurance, and other fiscal services. Rio Metro made payments to MRCOG totaling \$7,773,969 for the year ended June 30, 2019.

Herzog Transit Services, Inc. is the major service provider contracted through September 22, 2019 with Rio Metro's administrative entity, MRCOG, to operate and maintain the New Mexico Rail Runner Express. This vendor contract may be terminated by MRCOG for cause by giving written notice to Herzog ten days prior to the effective date of termination. MRCOG may also terminate the contract for convenience at any time by giving at least twenty days' notice in writing to Herzog. The amount paid from the Commuter Rail Operations fund during the year ended June 30, 2019 was \$23,587,376.

Note 12 – Rio Metro Reimbursements/Incurred Costs

MRCOG pays for several expenses on behalf of Rio Metro. The MRCOG then invoices Rio Metro for these expenditures. These expenditures were \$7,773,969 for the year ended June 30, 2019.

Note 13 – Related Entity Receivables and Payables

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

MRCOG. Rio Metro's accounts payable balance to MRCOG was \$631,581 at June 30, 2019. Rio Metro had expenditures of \$7,773,969 relating to MRCOG for the year ended June 30, 2019.

Regional Transit Gross Receipts Taxes. A portion of the taxes receivable balance of \$4,837,304 at June 30, 2019 is comprised of taxes receivables from Bernalillo, Sandoval, and Valencia counties, members of Rio Metro. Rio Metro had revenues of \$28,075,918 relating to GRT for the year ended June 30, 2019.

City of Albuquerque. Rio Metro's accounts payable balance to the City of Albuquerque was \$4,357,676 at June 30, 2019. Rio Metro had expenditures of \$4,463,536 relating to the City of Albuquerque for the year ended June 30, 2019.

City of Belen. Rio Metro had revenues of \$300 relating to the City of Belen for the year ended June 30, 2019. Rio Metro had expenditures of \$363 relating to the City of Belen for the year ended June 30, 2019.

City of Rio Rancho. Rio Metro's accounts payable balance to the City of Rio Rancho was \$4,428 at June 30, 2019. Rio Metro had revenues of \$3,052 and expenditures of \$59,396 relating to the City of Rio Rancho for the year ended June 30, 2019.

Rio Metro Regional Transit District

Notes to Financial Statements

Note 13 – Related Entity Receivables and Payables (continued)

Village of Los Lunas. Rio Metro's accounts payable balance to the Village of Los Lunas was \$20,522 at June 30, 2019. Rio Metro had expenditures of \$303,054 relating to the Village of Los Lunas for the year ended June 30, 2019.

Town of Bernalillo. Rio Metro's accounts receivable balance from the Town of Bernalillo was \$81,779 at June 30, 2019. Rio Metro's accounts payable balance to the Town of Bernalillo was \$129 at June 30, 2019. Rio Metro had revenues of \$332,668 and expenditures of \$1,414 relating to the Town of Bernalillo for the year ended June 30, 2019.

Note 14 – 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, 2019.

	<u>Transit Program</u>	<u>Rail Program</u>	<u>Reclassifications Eliminations</u>	<u>Financial Statements</u>
Revenues	\$ 16,243,763	\$ 38,705,752	\$ -	\$ 54,949,515
Expenditures	(14,649,807)	(39,773,380)	-	(54,423,187)
Loan Proceeds	-	10,900,000	-	10,900,000
Transfers in	11,174,165	16,435,723	(27,609,888)	-
Transfers out	<u>(11,174,165)</u>	<u>(16,435,723)</u>	<u>27,609,888</u>	<u>-</u>
Change in fund balance	<u>\$ 1,593,956</u>	<u>\$ 9,832,372</u>	<u>\$ -</u>	<u>\$ 11,426,328</u>

Rio Metro Regional Transit District
Description of Non-Major Special Revenue Funds
Year Ended June 30, 2019

Special Revenue Funds

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

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

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

Other Federal (No. 3100) – Federal funding received for special projects.

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.

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

**Rio Metro Regional Transit District
 Combining Balance Sheets – Non-Major Governmental Funds
 June 30, 2019**

	FTA 5309 Capital Investment #2103	FTA thru NIMDOT #2500	Other Federal #3100	Congestion Air Quality #3101	Other #6100	Total
ASSETS						
Accounts receivable	\$ 24,315	\$ 174,895	\$ 547	\$ -	\$ 85,798	\$ 285,555
Due from other funds	-	6,583	-	-	-	6,583
TOTAL ASSETS	\$ 24,315	\$ 181,478	\$ 547	\$ -	\$ 85,798	\$ 292,138
LIABILITIES						
Accounts payable	\$ 5,363	\$ 181,478	\$ 547	\$ -	\$ 59,816	\$ 247,204
Due to other funds	18,952	-	-	-	25,982	44,934
Total liabilities	24,315	181,478	547	-	85,798	292,138
FUND BALANCES						
Restricted	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,315	\$ 181,478	\$ 547	\$ -	\$ 85,798	\$ 292,138

Rio Metro Regional Transit District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	FTA 5309 Capital Investment #2103	FTA thru NMDOT #2500	Other Federal #3100	Congestion Air Quality #3101	Other #6100	Total
REVENUES						
Intergovernmental						
Federal	\$ 117,417	\$ 810,195	\$ 121,564	\$ 95,513	\$ -	\$ 1,144,689
Farebox	-	20,225	-	-	-	20,225
Special projects and other	-	-	-	-	802,721	802,721
Total revenues	117,417	830,420	121,564	95,513	802,721	1,967,635
EXPENDITURES						
Operating	146,771	1,605,845	122,935	111,791	802,721	2,790,063
Capital Outlay	-	-	16,528	-	-	16,528
Total expenditures	146,771	1,605,845	139,463	111,791	802,721	2,806,591
Excess of revenue over expenditures	(29,354)	(775,425)	(17,899)	(16,278)	-	(838,956)
OTHER FINANCING SOURCES						
Operating transfers in	29,354	775,425	17,899	16,278	-	838,956
CHANGE IN FUND BALANCE	-	-	-	-	-	-
FUND BALANCE						
Beginning of year	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Rio Metro Regional Transit District

Schedule of Pledged Collateral

June 30, 2019

Account	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Sweep Collateral Vault at June 30, 2019	Location of Safe keeper
Rio Metro Sweep						
	Repurchase agreement	Shares	6/1/2046	3128MJYG9	\$ 17,777,716	Wells Fargo
	Accrued interest	Interest	-	3128MJYG9	40,872	Wells Fargo
	Total Collateral				<u>17,818,588</u>	
	Bank Balance				<u>17,469,204</u>	
	Collateral required at 102%				<u>17,818,588</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, 2019	Location of Safe keeper
Wells Fargo	FGPC	Bonds	11/1/2043	3128MJTQ3	\$ 7,900	Bank of New York Mellon
Wells Fargo	FGPC	Bonds	7/1/2045	3132QQ5N8	622	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	9/1/2042	3138M0CP3	592,762	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	8/1/2031	3138WHR20	48,283	Bank of New York Mellon
Wells Fargo	FNMS	Bonds	5/1/2031	31410LS86	2,924,165	Bank of New York Mellon
	Total pledged collateral				<u>\$ 3,573,732</u>	
	Bank account balances					
	Rio Metro demand deposit				<u>\$ 6,360,802</u>	
	Total bank balances				6,360,802	
	FDIC coverage				<u>250,000</u>	
	Uninsured amount				<u>\$ 6,110,802</u>	
	Collateral required at 50%				\$ 3,055,401	
	Pledged collateral				<u>3,573,732</u>	
	Excess collateral				<u>\$ 518,331</u>	

**Rio Metro Regional Transit District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

	Federal CFDA Number	Award Number	Activity Number	Federal Expenditures
U.S. Department of Transportation				
Federal Railroad Administration (FRA)				
Direct				
Railroad Safety Technology Grants (Section 105 PTC Discretionary)	20.321	NM-2018-003	3100	\$ 3,600,000
Railroad Safety Technology Grants (Section 105 PTC NMRX Project CRISI Grant)	20.321	NM-2019-013	3101	3,371,679
				<u>6,971,679</u>
Federal Transit Administration (FTA)				
Federal Transit Cluster				
Direct				
Capital Investment Grant (5309 Transit Asset Management System)	20.500	NM-04-0029	1001	117,417
Urbanized Area Formula Program (5307 NMRX Preventative Maintenance)	20.507	NM-90-X130	2037	48,071
Urbanized Area Formula Program (5307 Transit Facility Equipment & Signage)	20.507	NM-95-X015	1006	95,513
Urbanized Area Formula Program (5307 Facility Improvements STPU Transfer)	20.507	NM-95-X019	2026	40,031
Urbanized Area Formula Program (5307 LU Bus Operations & Administration)	20.507	NM-2016-024	4069	818,241
Urbanized Area Formula Program (5307 Community Transportation Services Operation)	20.507	NM-2016-021	4070	5,855
Urbanized Area Formula Program (5307 SU Bus Operations & Administration)	20.507	NM-2017-009	4073	95,790
Urbanized Area Formula Program (5307 SU Bus Operations & Administration)	20.507	NM-2019-009	4076	109,187
Urbanized Area Formula Program (5307 SU Bus Operations & Administration)	20.507	NM-2019-012	4079	638,514
Urbanized Area Formula Program (5307 NMRX Preventative Maintenance)	20.507	NM-2019-016	2057	4,286,017
Urbanized Area Formula Program (5307 Travel Demand Management)	20.507	NM-2018-009	7022	220,532
Urbanized Area Formula Program (5307 NMRX Los Ranchos/Journal Center)	20.507	NM-2018-010	6028	1,931
State of Good Repair Formula Grant Program (5337 NMRX Preventative Maintenance)	20.525	NM-2016-023	2049	399,288
State of Good Repair Formula Grant Program (5337 NMRX Preventative Maintenance)	20.525	NM-2017-020	2051	6,032,790
State of Good Repair Formula Grant Program (5337 NMRX Preventative Maintenance)	20.525	NM-2019-008	2058	819,898
Total Federal Transit Cluster				<u>13,729,075</u>
Passed through State of New Mexico Department of Transportation				
Federal Highway Planning and Construction (Federal Highway Administration, FHWA)				
Statewide Transportation Improvement Program (Bike Share Program)	20.205	D15529	1124	25,815
Statewide Transportation Improvement Program (Bike Share Program)	20.205	D15529	1125	79,221
Highway Safety Improvement Program (Isleta Pueblo Quiet Zone)	20.205	D13744	2060	16,528
Total Highway Planning and Construction Cluster				<u>121,564</u>
Federal Transit Administration (FTA)				
Metropolitan Transportation Planning & State & Non-Metropolitan Planning & Research	20.505	M01637	4080	46,360
Formula Grants for Rural Areas (Section 5311)	20.509	M01536	4075	193,625
Formula Grants for Rural Areas (Section 5311)	20.509	M01605	4077	570,210
Total FTA				<u>810,195</u>
Total Expenditures of Federal Awards				<u>\$ 21,632,513</u>

See Notes to Schedule of Expenditures of Federal Awards

Rio Metro Regional Transit District

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Rio Metro Regional Transit District (Rio Metro) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Rio Metro, it is not intended to and does not present the financial position, changes in net position or cash flows of Rio Metro.

Note 2 – Summary of Significant Accounting Policies

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

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

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

Note 4 – Subrecipients

Rio Metro has no subrecipients.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information, and the budgetary comparisons for Rio Metro Regional Transit District (Rio Metro) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rio Metro's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Metro's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Rio Metro Regional Transit District's (Rio Metro's), compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Rio Metro's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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.

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 of 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 programs for the year ended June 30, 2019.

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 an 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.

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

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

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2019

**Rio Metro Regional Transit District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

None

Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
20.321	Railroad Safety Technology Grants	Unmodified
20.500/20.507/20.525	Federal Transit Cluster	Unmodified

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, 2019

Section II – Financial Statement Findings

No matters reported.

Rio Metro Regional Transit District
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Rio Metro Regional Transit District

Exit Conference

Year Ended June 30, 2019

EXIT CONFERENCE

An exit conference was held on November 25, 2019 to discuss the annual financial report. Attending were the following:

Rio Metro Regional Transit District

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

Moss Adams LLP

Kory Hoggan, CPA, Partner
Michael McGinley, Assurance Manager

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



STAFF ANALYSIS OF

R-20-05 RMRTD:

APPROVING THE PURCHASE OF 1804 IDALIA ROAD NW, RIO RANCHO, NM 87124 BY RIO METRO REGIONAL TRANSIT DISTRICT FOR THE SANDOVAL COUNTY DIVISION OPERATION HEADQUARTERS

Requested Action

Approve Resolution R-20-05

Reason for Request

- RMRTD currently leases a facility located at 1500 Idalia Rd., Building C, Bernalillo NM, 87004 from Sandoval County that is used for RMRTD Sandoval County Division Operations Headquarters and to store RMRTD transportation vehicles
- RMRTD was notified by Sandoval County that it is necessary for the County to terminate the lease effective August 31, 2020 because the County needs to utilize the facility for ongoing operations
- RMRTD identified the property located at 1804 Idalia Rd. NW, Rio Rancho, NM 87124 (“Property”) as a suitable site for the RMRTD Sandoval County Division Operations Headquarters and to store RMRTD transportation vehicles
- The Property is ideally suited to serve as the Operational Headquarters and bus facility for RMRTD Sandoval County operations
- RMRTD has executed a purchase agreement with the property owner to purchase the Property for a purchase price of \$825,000.00 with three equal payments over three years. The second and third installment will be subject to 5% interest
- RMRTD and the Seller, pursuant to the Purchase Agreement, shall enter into a Real Estate Contract that will provide that the Purchase Price be paid over a period of three years in three equal installments
- Purchase of the Property is contingent upon approval by the RMRTD Board of Directors, an appraisal of the property and completion of a Phase I Environmental Report and ALTA Survey

Review / Analysis

Purchases of real property require the approval of a majority of the RMRTD Board. The vote to purchase real property must be made by elected members of the RMRTD Board, alternate board members are not eligible to vote on this resolution.



R-20-05 RMRTD

**APPROVING THE PURCHASE OF 1804 IDALIA ROAD NW, RIO RANCHO, NM 87124
BY RIO METRO REGIONAL TRANSIT DISTRICT FOR THE SANDOVAL COUNTY
DIVISION OPERATION HEADQUARTERS**

1 **WHEREAS**, the Rio Metro Regional Transit District (RMRTD) was formed in
2 accordance with the Regional Transit District Act, 73-25-1 to 73-25-18 NMSA 1978, and
3 is a political subdivision of the state of New Mexico; and
4 **WHEREAS**, RMRTD currently leases a facility located at 1500 Idalia Rd., Building C,
5 Bernalillo NM, 87004 from Sandoval County that is used for RMRTD Sandoval County
6 Division Operations Headquarters and to store RMRTD transportation vehicles; and
7 **WHEREAS**; RMRTD was notified by Sandoval County that it is necessary for the
8 County to terminate the lease effective August 31, 2020 because the County needs to
9 utilize the facility for ongoing operations; and
10 **WHEREAS**; RMRTD identified the property located at 1804 Idalia Rd. NW, Rio
11 Rancho, NM 87124 (“Property”) as a suitable site for the RMRTD Sandoval County
12 Division Operations Headquarters and to store RMRTD transportation vehicles; and
13 **WHEREAS**; the Property was previously occupied by the Rio Rancho Public
14 Schools and utilized as a school bus facility and operational headquarters; and
15 **WHEREAS**; the Property is ideally suited to serve as the Operational Headquarters
16 and bus facility for RMRTD Sandoval County operations; and
17 **WHEREAS**; RMRTD has executed a purchase agreement with the property owner
18 to purchase the Property for a purchase price of Eight Hundred twenty-five thousand
19 dollars (\$825,000.00, “Purchase Price”); and
20 **WHEREAS**; RMRTD and the Seller, pursuant to the Purchase Agreement, shall
21 enter into a Real Estate Contract that will provide that the Purchase Price be paid over a
22 period of three years in three equal installments; and

23 **WHEREAS**, the first installment of the Purchase Price will be due upon the closing
24 of the transaction; and

25 **WHEREAS**, the second installment payment of the Purchase Price shall be two
26 hundred seventy-five thousand dollars (\$275,000) plus five percent (5%) interest paid
27 twelve months (12) after the closing date; and

28 **WHEREAS**, the final installment payment of the Purchase Price shall be two
29 hundred seventy-five thousand dollars (\$275,000) plus five percent (5%) interest paid
30 twenty four (24) months after the closing date; and

31 **WHEREAS**, the sale is contingent upon approval by the RMRTD Board of Directors,
32 an appraisal of the property and completion of a Phase I Environmental Report and a
33 general ALTA survey of Land and Improvements on the Property; and

34 **WHEREAS**, all real property purchases must be approved by a majority of the
35 RMRTD Board of Directors.

36

37 **NOW, THEREFORE BE IT RESOLVED BY THE RMRTD BOARD OF**
38 **DIRECTORS,**

39 That the Purchase Agreement with the property owner is approved for the purchase
40 price of \$825,000.00 subject to the terms and conditions set forth in the Purchase
41 Agreement and the Real Estate Contract and the Chief Executive Officer is authorized
42 to execute the purchase on behalf of the Board of Directors.

43

44 **PASSED, APPROVED, AND ADOPTED** this 20th day of March 2020 by the
45 RMRTD Board of Directors.

Diane Gibson, Chair
RMRTD Board of Directors

ATTEST:

Dewey Cave
Chief Executive Officer

R-20-05 RMRTD

March 20, 2020

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement ("Agreement") is made and entered into as of March __, 2020, by and between Rio Metro Regional Transit District ("Buyer"); and Tom and Esther Helweg Co-Trustees of Helweg Revocable Trust ("Seller" and collectively with Buyer, the "Parties").

RECITALS:

Seller is the owner of certain property as more particularly described below. Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, such property on the terms and conditions hereinafter set forth.

ARTICLE I -- GENERAL INFORMATION

The following general information is used throughout this Agreement:

- 1.1 Title Company: Stewart Title Company
Address: 7801 Academy NE, Building 1, Suite 101
Albuquerque, NM 87109
Attn: Gail Torino, Escrow Officer
Email: gail.torino@stewart.com
Phone: (505) 346-5412
- 1.2 Effective Date: The date the Title Company acknowledges receipt of counterpart original of this Agreement executed by Buyer and Seller and the Earnest Money from Buyer, which date will be set forth on a copy of the Joinder of Title Company which follows the signatures of Seller and Buyer below.
- 1.3 Land: Lot 25A1, Block P, Rio Rancho Estates, Unit 11 consisting of approximately 4.914 acres of land and improvements known as 1804 Idalia Rd NE, Rio Rancho, NM 87124 (Exact Legal descriptions to be provided by Title Company), in Sandoval County.
- 1.4 Purchase Price: Eight Hundred Twenty Five Thousand Dollars and 00/100 (\$825,000.00).
- 1.5 Earnest Money: An initial deposit of Ten Thousand Dollars (\$10,000.00) in accordance with Section 4.1.
- 1.6 Inspection Period: The time period beginning on of the Effective Date, and expiring at 11:59 PM Mountain Standard time at the end of the Sixtieth (60th) day thereafter.

1.7 Closing Date: Subject to the contingencies set forth in Section 6.2, Section 6.3, and Section 6.4 the Closing Date shall be fifteen (15) days following the expiration of the Inspection Period.

6/1/20

1.8 Place of Closing: At the office of the Title Company (provided that all delivery requirements may be handled by mail or courier service prior to the Closing Date).

1.10 Notices, Seller:
Esther Helweg c/o Sharon Scott
Address: PO Box 50250
Albuquerque, NM 87181
Phone: 505-450-5529
Facsimile: none
Email: shazue@aol.com

With a copy to:

1.11 Notices, Buyer:
Rio Metro Regional Transit District
c/o Terry Doyle
Albuquerque, NM
Phone: 505-247-1750
Facsimile: 505-247-1753
Email: tdoyle@mrcog-nm.gov

With a copy to:
J. Matt Myers
Myers, McCready & Myers, P.C.
1401 Central Ave. NW
Albuquerque, NM 87104
mmyers@moplaw.com

1.12 Broker:
Keith Bandoni, CCIM (Seller's Broker)
Colliers International
5051 Journal Center Blvd. N.E., Suite 200
Albuquerque, NM 87109
Phone: (505) 880-7015
Email: Keith.Bandoni@colliers.com

Bob Feinberg and Tom Jones, CCIM (Buyer's Broker)
Colliers International
5051 Journal Center Blvd. N.E., Suite 200
Albuquerque, NM 87109
Phone: (505) 880-7063
Email: Tom.Jones@colliers.com

ARTICLE II -- DEFINITIONS

The terms defined in Article I, this Article II and elsewhere in this Agreement, whenever capitalized, will have the meanings so defined whenever such terms are used in this Agreement, unless the context clearly indicates a different meaning:

2.1 "Agreement". This instrument, together with all exhibits which are incorporated herein by this reference.

2.2 "Closing". The consummation of the transaction contemplated by this Agreement, including the conveyance of the Property to Buyer and disbursement of the Purchase Price (subject to adjustments provided for herein) to Seller.

2.3 "Current Funds". Wire transfer of current federal funds in accordance with wiring instructions to be provided by Seller, or such other forms of immediately available funds as may be acceptable to Seller.

2.4 "Deed". The Special Warranty Deed to be delivered as per the guidelines of a Real Estate Contract specified in Section 11.1.

2.5 "Earnest Money". The sums specified in Section 1.5 above to be paid by Buyer to Title Company at the time of delivery of its counterpart signatures on this Agreement.

2.6 "Effective Date". As specified in Section 1.2 above hereof.

2.7 "Permitted Exceptions". Those matters subject to which title to the Property will be conveyed to Buyer in accordance with Section 6.2 hereof.

2.8 "Property". The property to be conveyed to Buyer pursuant to this Agreement, as set forth in Article III hereof.

2.9 "Purchase Price". The sum specified in Article I above, payable in the manner set forth in Article IV hereof.

2.10 "Title Commitment". The commitment for an Owner's Title Insurance Policy in the form prescribed by the New Mexico Title Insurance Rules, to be issued to Buyer, at Seller's expense, in accordance with Section 6.1(b) hereof.

2.11 "Title Documents". The documents listed in the Title Commitment as exceptions to title to the Land.

2.15 "Title Policy". An Owner's Policy of Title Insurance issued by the Title Company in the form prescribed by the New Mexico Title Insurance Rules, to be issued to Buyer in the full amount of the Purchase Price, in accordance with Section 8.3 hereof.

ARTICLE III -- AGREEMENT OF PURCHASE AND SALE

3.1 Sale and Purchase. Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, transfer and assign to Buyer, and Buyer agrees to purchase and accept from Seller, all of Seller's right, title and interest in and to the following described property (collectively, the "Property"):

- (a) Land. The Land;
- (b) Easements. All easements, if any, benefiting the Land;
- (c) Rights and Appurtenances. All rights and appurtenances, if any, pertaining to the Land, including without limitation all right, title and interest of Seller in and to oil, gas, minerals, adjacent streets, alleys or rights-of-way and water rights; and
- (d) Improvements. All improvements to and structures in and on the Land, if any (the "Improvements").

ARTICLE IV -- CONSIDERATION

4.1 Earnest Money Deposit. Within two (2) days of the Effective Date, Buyer will deliver the Earnest Money to Title Company in Current Funds. The Earnest Money will be applied to the Purchase Price at Closing. The Earnest Money will be held by the Title Company until the earlier to occur of (i) termination of this Agreement in accordance with Sections 6.2, 6.3(b), 6.4 or 11.4 of this Agreement, in which event the Earnest Money will be disbursed as provided in such Sections, or (ii) the Closing, in which event the Earnest Money shall be applied to the Purchase Price. Notwithstanding the foregoing, in the event of a default by either party, the Earnest Money will be disbursed by the Title Company in accordance with Article X hereof.

4.2 Payment of Purchase Price. The balance of the Purchase Price, subject to adjustments and proration as provided herein, will be paid at Closing in Current Funds by Buyer.

ARTICLE V -- CONDITIONS TO CLOSING

5.1 Seller's Conditions to Closing. Seller's obligation to sell the Property to Buyer at the Closing is subject to and conditioned upon the delivery by Buyer of the items set forth in Section 8.2(b) on the Closing Date, or the waiver of any such conditions in accordance with the terms of this Agreement

5.2 Buyer's Conditions to Closing. Buyer's obligation to buy the Property from Seller at the Closing is subject to and conditioned upon (i) neither Buyer nor Seller having terminated this Agreement in accordance with the provisions hereof, (ii) the satisfaction of the conditions set forth in Section 5.3, and (iii) the complete and full delivery by Seller of the items set forth in Section 8.2(a) on the Closing Date, or the waiver of any such conditions in accordance with the terms of this Agreement.

5.3 Special Conditions. During the Inspection Period and prior to the expiration thereof, Buyer shall obtain Board approval and/or any and all necessary approvals as required by statute.

ARTICLE VI – DELIVERIES, INSPECTIONS

6.1 Seller's Deliveries.

(a) Property Documents. Seller shall deliver to Buyer the following items in Seller's possession and/or control, excluding copies of any governmental codes or ordinances, (collectively the "**Property Documents**") within five (5) days after the Effective Date, unless another time is included below:

- (i) Any land and engineering surveys;
- (ii) Any soil tests and environmental reports;
- (iii) Any traffic studies;
- (iv) Any correspondence from governmental authorities;
- (v) Any building or site plans;
- (vi) Any contracts encumbering the property
- (vii) Any appraisals; and

(b) Title Commitment. Seller shall cause the Title Company to deliver to Buyer within five (5) days after the Effective Date, at Seller's sole cost and expense, a commitment for an owner's title insurance policy on the Property, (the "**Title Commitment**"), including copies of all exceptions to the title commitment (the "**Title Documents**").

(c) Phase I Environmental and ALTA Survey. Buyer shall order a current Phase I Environmental Report (the "**Phase I**") and general ALTA survey of Land and Improvements (the "**Survey**") and provide a copy to Seller within twenty (20) calendar days from the Effective Date. At Closing, Seller shall reimburse Buyer up to \$2,500.00 for the cost of the Phase I Environmental Report and Seller shall reimburse Buyer up to \$2,000.00 for the cost of the ALTA survey.

6.2 Buyer's Objections. If any exceptions or other matters appear in the Title Commitment, the Title Documents, the Survey or the Phase I (altogether, the "**Due Diligence Documents**") (except for the Schedule B Standard Exceptions set forth in 13 NMAC 14.5, Section 9), which Buyer finds objectionable then Buyer shall, not later than ten (10) days after receipt of the last of the Due Diligence Documents, but in no event later than the last day of the Inspection Period (the "**Objection Period**"), furnish written notice to Seller and Title Company of such Buyer's Objection(s). Seller may, within fifteen (15) days after receipt of Buyer's Objection(s) (the "**Cure Period**"), cure or attempt to cure any matter to which Buyer has timely objected, although Seller will have no obligation to endeavor to cure any title objection raised by Buyer except for the

removal of monetary liens and/or encumbrances, and Seller will not be required to expend any effort or funds, or to commence litigation to cure any objection. In the event that Buyer's objections have not been cured by the end of the Cure Period, Buyer may terminate this Agreement by declining to give its Notice to Proceed (defined below). Notwithstanding the foregoing, if Buyer gives its Notice to Proceed, Buyer will be deemed to have waived any uncured objection to the matters disclosed in the Due Diligence Documents and shall be deemed to have approved same. The Schedule B Standard Exceptions set forth in 13 NMAC 14.5, Section 9 (other than Schedule B Standard Exceptions 1 through 6), all matters shown on the Title Commitment which Buyer approves (or is deemed to have approved) pursuant to this Section 6.2, and any liens or encumbrances caused or created by Buyer will constitute "**Permitted Exceptions**" for purposes of this Agreement, the Title Policy and the Deed. Notwithstanding anything to the contrary herein, the Title Policy will contain the Schedule B Standard Exceptions unless the Buyer elects to have them removed from the Title Policy at Buyer's cost as provided for in Section 9.1.

6.3 Inspection Period.

(a) During the Inspection Period, Buyer will be permitted to inspect, (i) the Property, (ii) Seller's Property Documents, and (iii) all other matters concerning the Property and Buyer's intended use thereof, including but not limited to the economic feasibility of Buyer utilizing the Land for Buyer's intended use, zoning, local government restrictions and requirements, physical condition, subsoil conditions, environmental matters, financing, and such other matters as may be of concern to Buyer. Buyer shall provide advanced notice to Seller of its intended inspections of the Property (including the names and contact information for all of the persons and firms conducting the inspection, the proposed scope and methods to be used (e.g., penetrative) and locations to be investigated and evidence of their insurance). Seller shall cooperate with Buyer with respect to such inspections, at no expense to Seller. Buyer will restore the Property to the same condition in which it existed immediately prior to the conducting of any inspection promptly upon completion of each such inspection. Buyer may undertake physical testing of the Property. Buyer will not permit any liens or encumbrances to arise against the Property in connection with or as a result of such inspection or testing. Buyer will indemnify, defend and hold Seller, and Seller's members, managers, directors, officers, management companies, agents, employees and representatives, and the Property, harmless of, from and against losses, liabilities, costs, expenses (including, without limitation, reasonable attorneys' fees and costs of court), damages, liens, claims (including, without limitation, mechanics' or materialmen's liens or claims of liens), actions and causes of action to the extent resulting from the negligence or intentional misconduct of Buyer, or Buyer's agents, employees, contractors or representatives, upon the Property. The obligations of Buyer pursuant to this Section 6.3(a) shall survive the Closing or termination of this Agreement.

(b) If Buyer determines that it desires to proceed with the transaction contemplated hereunder, which decision shall be in Buyer's sole discretion, then, before the expiration of the Inspection Period, Buyer shall (i) deliver to Seller and the Title Company written notice that it intends to proceed with the transaction ("**Notice to Proceed**"). If Buyer fails to timely deliver the Notice to Proceed to Seller and the Title Company, then this Agreement shall automatically be deemed terminated upon expiration of the Inspection Period, and the Earnest Money will be promptly returned to Buyer by the Title Company, less independent contract consideration of Fifty Dollars (\$50.00) which shall be delivered to Seller, and the parties shall have no further obligations hereunder except only those which expressly survive termination. If Buyer timely delivers Buyer's Notice to Proceed, the Earnest Money shall become non-refundable to Buyer.

6.4 Delivery of Materials Upon Termination. In the event that this Agreement is terminated under the terms of this Agreement, Buyer will return to Seller all Property Documents and all other materials delivered by Seller to Buyer not later than five (5) days after the date of termination.

ARTICLE VII -- REPRESENTATIONS; DISCLAIMERS; ACKNOWLEDGMENTS

From the Effective Date of this Agreement until the Closing or earlier termination of this Agreement:

7.1 Limited Representations and Warranties. Seller represents and warrants to Buyer that, to Seller's knowledge, except as disclosed to Buyer in writing by Seller, (i) Seller has the full power and authority to enter into and perform this Agreement in accordance with its terms; (ii) the individual executing the Agreement on behalf of Seller is authorized to do so and, upon his executing this Agreement, this Agreement shall be binding and enforceable upon Seller in accordance with its terms; (iii) Seller has received no written notice from any governmental agency of any violation of any laws, regulations or codes, nor has Seller received any written notice of any alleged violations of any laws, regulations or codes related to the Property except as have been provided to Buyer; (iv) Seller has received no written notice from any governmental agency of, any pending or threatened claims or notices of condemnations, changes in zoning, or special assessments, concerning the Property, except as have been provided to Buyer, (v) there are no contractual obligations or commitments Seller has made that will be transferred or assumed with the Property, or will remain unperformed, as of the Closing Date which have not been disclosed to Buyer; (vi) there are no property management agreements or other similar contractual obligations that will be transferred or assumed with the Property at the Closing Date; (vii) there are no occupant(s), lessee(s), licensee(s) or tenant(s) occupying, possessing, residing, leasing, or permitted on the Property other than Seller; (vi) Seller has no actual knowledge of any releases of Hazardous Materials on, under or above the surface of the Land and of any Hazardous Materials in the Improvements, except for those used by Seller in conformance with law; and (viii) Seller will promptly notify Buyer and furnish a copy to Buyer if Seller learns of the existence of any such notice or document which effects the representations and warranties set forth above prior to the Closing Date. The foregoing representations and warranties shall survive for one year after Closing.

7.2 Hazardous Materials. "Hazardous Materials" will mean any substance which is or contains (i) any "hazardous substance" as now or hereafter defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. 9601 et seq.) ("CERCLA") or any regulations promulgated under CERCLA; (ii) any "hazardous waste" as now or hereafter defined in the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.) ("RCRA") or regulations promulgated under RCRA; (iii) any substance regulated by the Toxic Substances Control Act (15 U.S.C. 2601 et seq.); (iv) gasoline, diesel fuel, or other petroleum hydrocarbons; (v) asbestos and asbestos containing materials, in any form, whether friable or non-friable; (vi) polychlorinated biphenyls; and (vii) any additional substances or materials, which are now or hereafter classified or considered to be hazardous or toxic under any federal, state, local or foreign Environmental Law, ordinance, rule or regulation, now or hereinafter enacted, or the common law, or any other applicable laws relating to the Property.

7.3 Environmental Law(s). "Environmental Law(s)" means any federal, state or local or foreign statute, law, rule or regulation relating to: (a) releases, discharges, spills, leaks or emissions (or threatened releases, discharges, spills, leaks or emissions) of Hazardous Materials; (b) the manufacturer, handling, transport, use, treatment, storage or disposal of Hazardous Materials or materials containing Hazardous Materials; or (c) otherwise relating to pollution of the environment or the protection of human health.

7.4 AS-IS SALE. EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT OR IN THE DEED, BUYER IS PURCHASING THE PROPERTY, AND THE PROPERTY SHALL BE CONVEYED AND TRANSFERRED TO BUYER "AS IS, WHERE IS, AND WITH ALL FAULTS," IN ITS PRESENT CONDITION, AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS OR GUARANTIES, EITHER EXPRESS OR IMPLIED, OF ANY KIND, NATURE OR TYPE WHATSOEVER FROM OR ON BEHALF OF SELLER.

7.5 Buyer's Limited Representations and Warranties. Buyer represents and warrants to Seller that: (i) subject to obtaining board approval, Buyer has the full power and authority to enter into and perform this Agreement in accordance with its terms; (ii) subject to obtaining board approval, the individual executing this Agreement on behalf of Buyer is authorized to do so and, upon his executing this Agreement, this Agreement shall be binding and enforceable upon Buyer in accordance with its terms, and (iii) entering into this Agreement will not result in a breach of any contract to which Buyer is currently a party nor will it place Buyer in breach of any covenants contained in any contract to which Buyer is currently a party.

7.6 Termination of Warranties. All warranties made under this Agreement shall survive Closing for a period of one year from the date of Closing at which time they will terminate.

ARTICLE VIII --CLOSING

8.1 Date, Time and Place of Closing. Subject to the satisfaction or waiver in writing of all conditions to either party's obligation to consummate the purchase and sale of the Property, the Closing will take place on the Closing Date at the Place of Closing, as defined in Sections 1.8 and 1.9.

8.2 Items to be Delivered at Closing.

(a) By Seller. At or prior to Closing, Seller will deliver or cause to be delivered to Buyer, through escrow or directly to Buyer, each of the following items:

(i) The Deed, suitable for recording, conveying title to the Property to Buyer, subject to the Permitted Exceptions and the Real Estate Contract as defined in Section 11.1;

(ii) Any reasonable and customary certificates and affidavits that may be required in the normal course by Title Company, in form and substance reasonably satisfactory to Seller, duly executed by Seller; and

(iii) A Non-foreign Certification of Entity Transferor from Seller or other evidence satisfying the requirements of Section 1445 of the Internal Revenue Code.

(b) By Buyer. At or prior to Closing, Buyer will deliver to Seller, or cause to be delivered to Seller, through escrow or directly to Seller, each of the following items:

- (i) The balance of the Purchase Price in Current Funds as per the Real Estate Contract as defined in Section 11.1;
- (ii) Evidence of Buyer's authority to consummate this transaction; and
- (iii) Any customary certificates and affidavits that may be required in the normal course by Title Company, in form and substance reasonably satisfactory to Title Company, duly executed by Buyer.

8.3 Title Policy. As soon as possible in the ordinary course of business of the Title Company after the Closing occurs and all documents delivered at the Closing that are intended to be recorded are so recorded and returned to the Title Company, the Title Company will deliver the Title Policy to Buyer, subject only to the Permitted Exceptions. The provisions of this Section will survive the Closing.

ARTICLE IX -- CLOSING COSTS AND PRORATIONS

9.1 Closing Costs. Seller and Buyer will each pay their respective attorneys' fees (except as provided in Section 11.14 of this Agreement). Seller will pay: i) one-half of the escrow fee and recording fees charged for documents required to be recorded in connection with the conveyance of the Property to Buyer; ii) the cost of the Title Commitment; iii) the cost of the basic coverage Owner Title Policy; iv) the cost of recording any document required to cure any title defect which Seller, in its sole discretion, elects to cure (and any endorsement issued in connection with such cure); and v) Seller shall reimburse Buyer for the Phase I and the Survey as per Sec. 6.1 (c) of this Agreement. Buyer will pay: i) one-half of the escrow fee and recording fees charged for documents required to be recorded in connection with the conveyance of the Property to Buyer; ii) the cost of deleting the Schedule B Standard Exceptions from the Title Policy; iii) the cost for any title insurance policy requested by Buyer insuring the interest of any lender of Buyer in connection with the Property; iv) the premium for any additional coverages elected by Buyer; and v) all fees and costs incurred as a result of any financing of the Purchase Price or mortgage of the Property by Buyer.

9.2 Prorations/Reconciliations.

(a) Real estate taxes and any private dues or assessments for maintenance or any other purposes respecting the development within which the Property is situated for the year in which the Closing occurs will be prorated to the date of Closing. If the Closing occurs before the amount of the taxes or the amount of dues or assessments is fixed for the year of Closing, the apportionment of same will be based upon the amount of the taxes or the amount of dues or assessments for the preceding year. Any special tax assessments which are due at the time of Closing shall be paid, in full, by Seller.

(b) Buyer will be responsible for arranging all utility services in its own name commencing as of 12:01 a.m. on the Closing Date. Seller will be responsible for all utility charges accrued prior to the Closing Date and Buyer will be responsible for all utility charges accruing after the Closing Date.

ARTICLE X -- DEFAULT AND REMEDIES

10.1 Seller's Default: Buyer's Sole Remedies. If, within ten (10) days after written demand, Seller fails to consummate this Agreement in accordance with its terms, other than by reason of a termination of this Agreement by Seller or Buyer pursuant to a right to do so expressly provided for in this Agreement (except by reason of a default by the other party), Buyer may elect at his sole discretion as Buyer's sole and exclusive remedies: (i) to terminate this Agreement by written notice to Seller and Title Company, in which event the Earnest Money will be immediately refunded to Buyer by the Title Company or (ii) to seek specific performance of this Agreement. Notwithstanding the foregoing, under no circumstances may Buyer seek or be entitled to recover any special, consequential, punitive, speculative or indirect damages (all of which Buyer specifically waives) from Seller for any breach by Seller or its obligations under this Agreement or of any representation, warranty or covenant of Seller hereunder. Buyer shall also have the right to enforce all provisions hereof which survive termination of this Agreement, notwithstanding the foregoing limitations.

10.2 Buyer's Default: Seller's Sole Remedies. If, within ten (10) days after written demand, Buyer fails to consummate this Agreement in accordance with its terms, other than by reason of a termination of this Agreement by Seller or Buyer pursuant to a right to do so expressly provided for in this Agreement (except by reason of a default by the other party), Seller's sole and exclusive remedy will be to terminate this Agreement by written notice to Buyer and Title Company, in which event the Earnest Money (including interest thereon, if applicable) will be paid to Seller as liquidated damages (and not as a penalty) for breach of this Agreement. Notwithstanding the foregoing, under no circumstances may Seller seek or be entitled to recover any special, consequential, punitive, speculative or indirect damages (all of which Seller specifically waives) from Buyer for any breach by Buyer or its obligations under this Agreement or of any representation, warranty or covenant of Buyer hereunder. Seller shall also have the right to enforce all provisions hereof which survive termination of this Agreement, notwithstanding the foregoing limitations.

10.3 Contractual Statute of Limitations. Any action concerning an alleged breach of this Agreement or any representation or warranty hereunder shall be commenced not later than one (1) year after Closing, and shall be forever barred thereafter, without regard to any other limitations period created by statute.

ARTICLE XI -- MISCELLANEOUS PROVISIONS

11.1 Real Estate Contract. Buyer and Seller shall enter into a Real Estate Contract that shall provide for the Purchase Price to be paid by Buyer in three (3) equal payments as follows: One-third (1/3) upon Closing, one-third (1/3) in twelve (12) months following Closing, and the final one-third (1/3) due Twenty-four (24) months after the Closing Date, as follows: At the Closing, Seller shall execute and deliver to the Title Company a Real Estate Contract (the "REC"), a warranty deed conveying the Property to Buyer subject to the Permitted Exceptions (the "Deed"). At the Closing, Buyer shall deliver to Seller Two Hundred Seventy-Five Thousand and 00/100 dollars (\$275,000.00), the Down Payment (including the Earnest Money). Buyer shall execute and deliver to the Title Company the REC and a special warranty deed. The REC shall be in the amount of \$550,000.00 and shall have the following terms: (i) \$275,000 paid 12 months after the Closing Date plus five percent (5%) interest and (ii) a final payment of \$275,000 paid 24 months after the Closing Date plus five percent (5%) interest. This REC shall not be assumable. Seller and Buyer shall split escrow fees required pursuant to the REC, including set up and close out fees. Any annual fees associated with the REC shall be paid by Buyer. Buyer may prepay any or all of the principal balance with accrued interest at any time without penalty. Buyer to provide Seller with proof of insurance and payment of property taxes during the term of the REC. The escrow company shall be Sunwest Escrow.

11.2 Brokerage. Seller agrees to pay the Broker identified in Section 1.12 a commission equal to six percent (6%) of the gross Purchase Price plus applicable New Mexico Gross Receipts Tax upon Closing of this Agreement. Each party represents to the other that except for its Broker identified in Section 1.12 (as applicable), it has not authorized any broker or finder to act on its behalf in connection with the sale and purchase hereunder. Each party agrees to indemnify and hold harmless the other from and against any and all claims, losses, damages, costs or expenses of any kind or character arising out of or resulting from any agreement, arrangement or understanding (except as set forth above with respect to the Brokers) alleged to have been made by such party with any other broker or finder in connection with this Agreement or the transaction contemplated hereby.

11.3 Assignment. Buyer may not assign its rights under this Agreement without obtaining the prior written consent of Seller, which may be withheld in Seller's sole and absolute discretion.

11.4 Condemnation and Casualty.

(a) Condemnation. Seller shall immediately notify Buyer in the event that all or a substantial portion (as defined below) of the Land or Improvements is taken in condemnation or by conveyance in lieu thereof or under the right of eminent domain after the Effective Date and before the Closing Date, Buyer may, at its option, terminate this Agreement by written notice thereof to Seller within thirty (30) days after Seller notifies Buyer of the condemnation. In the event Buyer fails to timely deliver written notice of termination as described above, Buyer will be deemed to have elected to proceed to close the transaction contemplated herein pursuant to the terms hereof, in which event Seller will deliver to Buyer at the Closing any proceeds actually received by Seller attributable to the Property from such condemnation or eminent domain proceeding or conveyance in lieu thereof or assign to Buyer Seller's rights to such proceeds and there will be no reduction in the Purchase Price.

(b) Casualty. In the event that all or a substantial portion of the Improvements is damaged or destroyed by fire or other casualty after the Effective Date and before the Closing Date, Buyer may, at its option, terminate this Agreement by written notice thereof to Seller within fifteen (15) days after Seller notifies Buyer of the casualty and the availability and amount of insurance proceeds. In the event Buyer does not terminate this Agreement as described above, Buyer will be deemed to have elected to proceed to close the transaction contemplated herein pursuant to the terms hereof, in which event Seller will deliver to Buyer at the Closing any insurance proceeds actually received by Seller attributable to the Improvements from such casualty, or assign to Buyer all of Seller's right, title and interest in any claim under any applicable insurance policies in respect of such casualty, together with an amount equal to the deductible(s), if any, applicable to such loss under the insurance policy(ies), and there will be no reduction in the Purchase Price. If the casualty loss does not involve a substantial portion of the Property, then Buyer will be obligated to close the transaction contemplated herein according to the terms hereof, notwithstanding such casualty loss, and Seller will, at Seller's election, either (i) repair the damages caused by such casualty loss prior to Closing, at Seller's expense or (ii) deliver to Buyer at the Closing any insurance proceeds actually received by Seller attributable to the Property from such casualty together with any applicable deductible, or (iii) assign to Buyer all of Seller's right, title, and interest in any claim under any applicable insurance policies in respect of such casualty, together with an amount equal to the deductible(s), if any, applicable to such loss under the insurance policy(ies), and there will be no reduction in the Purchase Price.

(c) Substantial Portion Defined. For the purposes of this Section 11.4, a taking of or casualty loss to a "substantial portion" of the Property will be deemed to include any taking or casualty loss which is equal to or greater than (a) 5% of the value of the Property as established by the Purchase Price or (b) 5% of the aggregate gross number of square feet contained in the Improvements.

(d) Risk of Loss. Subject to the express terms and conditions of this Agreement, risk of loss until Closing will be borne by Seller.

(e) Emergency Repairs. In the event the Property is damaged prior to Closing and such damage creates any emergency requiring immediate repair in order to prevent further damage to the Property, Seller will be entitled to immediately commence such repairs, and the contractor and method of repair to be used will be determined by Seller. Both Seller and Buyer agree to cooperate to accomplish such repair in a timely manner. Casualty proceeds, if any, paid as a result of damage requiring immediate repair will be used in paying the cost of such repairs.

11.5 Notices. Any notice, approval, objection or other communication (for convenience, referred herein as a "notice") required or permitted to be given hereunder or given in regard to this Agreement by one party to the other will be in writing and the same will be given and be deemed to have been delivered, served and given (a) if delivered via courier (including "overnight delivery services"), when actually delivered to the address specified in Article I above of the person to whom notice is given, (b) if mailed, (except where actual receipt is specified in this Agreement) two (2) business days after deposit in the United States mail, postage prepaid, by certified mail, return receipt requested, addressed to the person to whom notice is given at the address specified in Article I above, (c) if sent by email, when the email is transmitted to the address provided above, provided that the party giving notice must send, not later than the next business day after such email, duplicate notice by means described in item (a) or (b) above. Any

party may change its address for notices by notice theretofore given in accordance with this Section and will be deemed effective only when actually received by the other party.

11.6 Entire Agreement. This Agreement and the exhibits attached hereto constitute the entire agreement between Seller and Buyer. The parties agree that there are no other covenants, agreements, promises, terms, provisions, conditions, undertakings, or understandings, either oral or written, between them concerning the Property other than those herein set forth, and that no subsequent alteration, amendment, change, deletion or addition to this Agreement will be binding upon Seller or Buyer unless in writing and signed by both Seller and Buyer.

11.7 Headings. The headings, captions, numbering system, etc. are inserted only as a matter of convenience and may under no circumstances be considered in interpreting the provisions of this Agreement.

11.8 Binding Effect. All of the provisions of this Agreement are hereby made binding upon the personal representatives, heirs, successors, and assigns of both parties hereto. Where required for proper interpretation, words in the singular will include the plural; the masculine gender will include the neuter and the feminine, and vice versa. The terms "heirs, executors, administrators and assigns" will include "successors, legal representatives and assigns."

11.9 Time of Essence. Time is of the essence in each and every provision of this Agreement.

11.10 Unenforceable or Inapplicable Provisions. If any provision hereof is for any reason unenforceable or inapplicable, the other provisions hereof will remain in full force and effect in the same manner as if such unenforceable or inapplicable provision had never been contained herein, unless such unenforceable provision materially affects any material covenants set forth herein.

11.11 Counterparts; Copies. This Agreement may be executed in any number of counterparts, each of which will for all purposes be deemed to be an original, and all of which are identical. This Agreement, and any amendment to this Agreement, may be signed in one or more counterparts, and delivery of a signed facsimile copy, or delivery of a signed copy by email, will have the same effect as delivery of a signed original.

11.12 Applicable Law; Venue. This Agreement will be construed under and in accordance with the internal laws of the State of New Mexico without regard to principles of conflicts of laws. Venue for any action concerning or related to this Agreement shall be in the state serving the County of Bernalillo in the State of New Mexico.

11.13 Attorneys' Fees. In the event any legal action or other proceeding is brought for the enforcement or interpretation of this Agreement or because of an alleged misrepresentation in connection herewith, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses and costs of court incurred in addition to any other relief to which such party may be entitled. Attorneys' fees and expenses shall include, without limitation, paralegal fees, investigative fees, expert witness fees, administrative costs, all New Mexico gross receipts taxes applicable to same, and all other charges billed by the attorneys' to the prevailing

party. The limitation on recovery set forth in Section 10.1 and Section 10.2 shall not be construed to apply to attorneys' fees and expenses awarded pursuant to this Section 11.13.

11.14 Authority. Each person executing this Agreement, by his execution hereof, represents and warrants that he is fully authorized to do so, however, the parties will cooperate in providing appropriate proof to the other party of the authority of the signing person to bind the party.

11.15 Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed at the Closing, Seller and Buyer agree to perform such other acts, and to execute and deliver such other instruments and documents as either Seller or Buyer, or their respective counsel, may reasonably require in order to effect the intents and purposes of this Agreement. Further, Seller and Buyer agree to deliver to the Title Company such affidavits and other documents as may reasonably be necessary or required to enable the Title Company to issue the Title Policy as contemplated in this Agreement.

11.16 Time Periods. Unless otherwise expressly provided herein, all periods for delivery or review and the like will be determined on a "calendar" day basis. If any date for performance, approval, delivery or Closing falls on a Saturday, Sunday or legal holiday (state or federal) in the State of New Mexico, the time therefor will be extended to the next business day.

11.17 No Recording. Seller and Buyer agree that neither this Agreement, a copy of this Agreement, nor any instrument describing or referring to this Agreement, will ever be filed of record in the records of the county in which the Land is located, and in the event this Agreement, a copy of this or any instrument describing or referring to this Agreement is so filed of record by Buyer or its agents, such act will be considered a default under this Agreement and Seller, at Seller's option, may terminate this Agreement and exercise any other rights or remedies of Seller under this Agreement for a default on the part of Buyer.

11.18 Interpretation. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or in any amendments or exhibits thereto.

11.19 No Third Party Beneficiary. The provisions of this Agreement are for the exclusive benefit of Seller and Buyer hereto and no other party will have any right or claim against the Seller and Buyer, or either of them, by reason of those provisions or be entitled to enforce any of those provisions against the Seller and Buyer hereto, or either of them.

11.20 Provisions to Survive Closing. Notwithstanding any other provision of this Agreement, all of the provisions of this Agreement which require or provide for the performance or liability of either party hereto following the Closing will survive the Closing and the delivery of the Deed to Buyer.

11.21 Title Company. The parties acknowledge and agree that in the event of any dispute concerning the Earnest Money while same is in the possession of Title Company, Title Company will have the right to interplead with the state or federal district court serving the county in which the Land is located all or any portion of the Earnest Money received by it pursuant to this Agreement.

11.22 Indemnity Limitation. To the extent, if at all, any indemnity, hold harmless or insurance provision of this Agreement is invalidated pursuant to the terms of §56-7-1 N.M.S.A. 1978, as amended, the remaining indemnity, hold harmless and insurance provisions of this Agreement shall remain in full force and effect.

11.23 Exchange Facilitation. At the option of either party, upon not less than five (5) days written notice to the other party prior to Closing, a party may require the Closing to be achieved pursuant to an escrow created to effectuate an exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended. In such event, the other party agrees to cooperate with the party giving such notice, provided that such facilitation will not delay Closing or result in any additional cost or expense to the other party.

11.24 Acceptance of the Purchase Agreement. THIS OFFER is presented to Purchaser by Seller on this 10th day of March 2020, and shall be withdrawn and made void if not accepted by Purchaser on or by 5:00 p.m., March 12, 2020.

[SIGNATURE PAGES FOLLOW]

EXECUTED to be effective as of the Effective Date.

SELLER:

Tom and Esther Helweg Co-Trustees of Helweg Revocable Trust

By: Esther Helweg Trustee
Esther Helweg, Trustee

BUYER:

Rio Metro Regional Transit District

By: Dewey V. Cave
Dewey V. Cave

Its: Executive Director

JOINDER OF TITLE COMPANY

Title Company executes this Agreement for the sole purpose of agreeing to serve as escrow agent with respect to the Earnest Money and closing in accordance with this Agreement. The undersigned representative of the Title Company hereby agrees to promptly acknowledge receipt of a counterpart original (or multiple original counterparts) of this Agreement executed by both Buyer and Seller, by promptly transmitting by facsimile or email a copy of this page accompanied by the fully executed Agreement, signed and dated as of the date of acknowledgment, to all parties designated for notice in Sections 1.11 and 1.10 of the Agreement for the purpose of promptly notifying all parties of the Effective Date as described in Section 1.2 of the Agreement.

STEWART TITLE COMPANY

By: Gail Torino

Date: March 16, 2020
(the "Effective Date")

Name: GAIL TORINO

Its: Escrow Office

EXHIBIT A
SITE DEPICTION OF LAND