

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2009
With Comparative Totals For 2008**

HINKLE & LANDERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS + BUSINESS CONSULTANTS

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Independent Auditors' Report
And
Financial Statements

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT OFFICIAL ROSTER

As of June 30, 2009

Board of Directors

Board Member	Title	Representing
Mr. Alfred Herrera	Councilor	City of Espanola
Mr. Mike Wismer	Councilor	Los Alamos County
Mr. Elias Coriz	Councilor	Rio Arriba County
Mr. Tim Vigil		Pojoaque Pueblo
Mr. Raymond Martinez		San Ildefonso Pueblo
Mr. Virgil Cata	1st Lt. Governor	Ohkay Owingeh Pueblo
Mr. Edwin Tafoya		Santa Clara Pueblo
Ms. Rosemary Romero	Councilor	City of Santa Fe
Ms. Liz Stefanics	Commissioner	Santa Fe County
Mr. Charles Dorme	Governor	Tesuque Pueblo
Mr. Daniel Barrone	Commissioner	Taos County

Administration

Name	Title
Ms. Josette Lucero	Executive Director
Ms. Marjorie Kaplan	Finance Manager
Ms. Linda Trujillo	Regional Coordinator Supervisor
Mr. Jack Valencia	Transit Project Manager

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management of
North Central Regional Transit District
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2009, as listed in the table of contents. We have also audited the schedule of revenues and expenses and changes in net assets—budget (GAAP budget basis) and actual presented as supplementary information for the year ended June 30, 2009, as listed in the table of contents. These financial statements and budget comparison schedule are the responsibility of NCRTD's management. Our responsibility is to express opinions on these financial statements and budget comparison schedule based on our audit. The prior year summarized comparative information has been derived from NCRTD's June 30, 2008 financial statements and in our report dated December 11, 2009, we expressed unqualified opinions on those statements.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NCRTD as of June 30, 2009, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedule referred to above presents fairly, in all material respects, the budget comparison of NCRTD for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2011, on our consideration of NCRTD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

NCRTD has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NCRTD's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and , in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
February 15, 2011

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008**

ASSETS	2009	2008 (Restated)
Current Assets		
Cash and cash equivalents	\$ 1,304,374	1,188,586
Receivables	250,275	731,990
Total Current Assets	<u>1,554,649</u>	<u>1,920,576</u>
Non-Current Assets		
Other assets	600	600
Capital Assets, net of accumulated depreciation	<u>1,245,723</u>	703,459
Total Assets	<u>\$ 2,800,972</u>	<u>2,624,635</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 31,939	93,543
Payroll related liabilities	78,360	188,762
Due to local governments	-	-
Compensated absences - current portion	40,727	40,727
Total Current Liabilities	<u>151,026</u>	<u>323,032</u>
Non-Current Liabilities		
Compensated absences - non-current portion	<u>33,466</u>	10,665
Total Liabilities	<u>184,492</u>	<u>333,697</u>
NET ASSETS		
Unrestricted		
Invested in capital assets	1,245,723	703,459
Unrestricted, undesignated	880,600	1,097,322
Restricted - Working Capital	<u>490,157</u>	490,157
Total Net Assets	<u>2,616,480</u>	<u>2,290,938</u>
Total Liabilities and Net Assets	<u>\$ 2,800,972</u>	<u>2,624,635</u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are in integral part of these financial statements

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008

	<u>2009</u>	<u>2008</u> (Restated)
Operating Revenues		
Revenue		
Charges for services (program revenues)	\$ <u>12,394</u>	<u>17,772</u>
Operating Expenses		
Personnel Services		
Salaries and wages	1,120,165	768,879
Payroll taxes	89,715	61,664
Employee benefits	431,399	149,671
Total Personnel Services	<u>1,641,279</u>	<u>980,214</u>
Other Operating Expenses		
Advertising	84,454	59,978
Dues, licenses and fees	2,519	3,246
Equipment expense	17,547	18,638
Insurance	41,711	28,759
Travel, meetings, travel, lodging, and per diem	21,293	18,573
Occupancy and utilities	23,982	14,492
Office supplies, postage and photocopies	22,461	16,000
Professional services	145,417	138,423
Repairs and maintenance	62,361	88,730
Telephone and Internet	19,729	15,230
Training	5,967	3,220
Transit expenses	331,077	207,281
Uniforms	12,743	2,918
Vehicle repairs and maintenance	212,093	142,709
Depreciation	242,723	78,694
Total other operating expenses	<u>1,246,077</u>	<u>836,891</u>
Total Operating Expenses	<u>2,887,356</u>	<u>1,817,105</u>
Operating Income (Loss)	<u>(2,874,962)</u>	<u>(1,799,333)</u>
Nonoperating Revenues (Expenses)		
Federal grants	1,578,156	1,250,192
State and local grants	688,910	397,491
Member local match	926,090	1,454,397
Interest income	7,348	29,959
Total Nonoperating Revenues (Expenses) Income (Loss) Before Contributions	<u>3,200,504</u>	<u>3,132,039</u>
Capital Contributions	<u>-</u>	<u>437,798</u>
Change in net assets	325,542	1,770,504
Net assets, beginning of year	<u>2,290,938</u>	<u>520,434</u>
Net assets, end of year	<u>\$ 2,616,480</u>	<u>2,290,938</u>

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers (charges for services)	\$ 12,394	17,772
Cash paid to employees (personnel services)	(1,728,880)	(759,874)
Cash paid to suppliers (other operating expenses)	(1,064,958)	(755,152)
	(2,781,444)	(1,497,254)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from grants and agreements	3,674,871	2,320,310
	3,674,871	2,320,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for acquisition of capital assets	(784,987)	(252,918)
	(784,987)	(252,918)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on cash and cash equivalents	7,348	29,959
	7,348	29,959
Net increase (decrease) in cash and cash equivalents	115,788	600,097
Cash and cash equivalents, beginning of year	1,188,586	588,489
	1,188,586	588,489
Cash and cash equivalents at end of year	\$ 1,304,374	1,188,586
	1,304,374	1,188,586

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (2,874,962)	(1,799,333)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation expense	242,723	78,694
Increase (Decrease) in other assets	-	(600)
Increase (Decrease) in accounts payables	(61,604)	3,644
Increase (Decrease) in payroll related liabilities	(110,402)	168,949
Increase (Decrease) in compensated absences	22,801	51,392
Net cash provided by operating activities	\$ (2,781,444)	(1,497,254)

Supplementary Disclosures

During the year ended June 30, 2008, NCRTD received \$437,798 in contributed capital assets from some of its member governments.

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

NOTE 1—NATURE OF OPERATIONS

NCRTD was established in September 2004, and operations of NCRTD commenced in May 2005. The purpose of NCRTD is to:

- A. Serve the public by providing for the creation of regional networks of safe and efficient public transit services;
- B. Allow multi-jurisdictional public transit systems to reduce the congestion of single-occupant motor vehicle traffic by providing transportation options for residents;
- C. Decrease automobile accidents by reducing traffic congestion on freeways and streets;
- D. Reduce noise and air pollution produced by motor vehicles;
- E. Prolong and extend the life of New Mexico's existing roadways by easing the traffic burden;
- F. Provide residents with a choice of transportation alternatives so that seniors, youth, low-income and mobility-impaired residents and others unable to drive or afford motor vehicles continue to have full access to the goods, services, jobs and activities of the community;
- G. Improve the New Mexico economy by increasing workforce and citizen access to education and higher paying jobs; and
- H. Prolong and extend petroleum resources.

Membership

NCRTD is a Membership organization that is open to governmental units, which means the State of New Mexico, Counties, Municipalities of New Mexico, Indian Nations, Tribes, and or Pueblos located within the boundaries of Los Alamos, Rio Arriba of Santa Fe Counties in New Mexico may join. Members may be added or deleted pursuant to Article VIII of NCRTD's bylaws and State Statute Section 73-25-17.

The Board is composed of one Director from each participating member of NCRTD. A Director shall be an elected official or official designee, Tribal Governor or Tribal Council Member. The Director shall hold office until removed by the appointing member governmental unit or until the Director no longer holds elective office in the governing body of the appointing governmental unit or until the Director submits written resignation to the Chairman of the Board. Directors shall not serve a term longer than four years unless re-appointed by their Member governing body.

NCRTD has no component units.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

A—Proprietary Fund Basis of Accounting

NCRTD follows proprietary fund accounting. Proprietary funds are accounted for using the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. NCRTD applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. NCRTD has elected not to apply FASB statements and interpretations issued after November 30, 1989.

In addition, when both restricted and unrestricted net assets are available to finance NCRTD's operations, it is NCRTD's policy to first apply restricted net assets to such expenses, followed by unrestricted net assets.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of NCRTD are user fees generated from transportation services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In 2008, NCRTD began generating user fees and these amounts are expected to increase as NCRTD continues to grow and develop, with the exception of if the board elects to suspend the user fees. NCRTD first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available

B—Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C—Advertising

NCRTD expenses advertising costs as incurred. Advertising costs are incurred primarily for the dissemination of program information.

D—Net Assets

The proprietary fund financial statements utilize a net asset presentation. Net Assets are categorized in the following three categories: invested in capital assets (net of related debt), restricted and unrestricted.

1. Invested in Capital Assets (net of related debt)—Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. NCRTD did not have any related debt during the year ended June 30, 2009.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

2. Restricted net assets—Consist of net assets with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.
3. Unrestricted net assets—Consists of assets less liabilities after the amount invested in capital assets and any restricted net assets have been subtracted.
4. Net Assets Restricted by Enabling Legislation The statement of net assets reports \$490,157 of restricted net assets. All the restricted net assets are considered restricted by enabling legislation under the various grant and contract agreements. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

E—Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to those used in 2009.

F—Prior Year Comparative Totals

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NCRTD's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

G—Cash and Cash Equivalents

For purposes of the statement of cash flows, NCRTD considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

H—Capital Assets

Capital assets will be recorded at cost. NCRTD's policy is to capitalize all assets with a cost of \$5,000 or greater, and to depreciate the assets using the straight-line method over the following estimated useful lives of the assets.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

Capital assets includes software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. However, all capital outlay purchases may not necessarily be capitalized. There is no related debt relating to capital assets.

The major classifications of property and equipment and the related depreciable lives are as follows:

Classification	Estimated Useful Lives
Computers and Equipment	5 to 7 years
Vehicles	5 to 7 years

I—Donated Capital Assets

Donations of capital assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, NCRTD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. NCRTD reclassifies restricted net assets to unrestricted net assets at that time. During the year ended June 30, 2008, NCRTD received \$437,798 in contributed capital assets from some of its member governments.

J—Compensated Absences

NCRTD’s policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of NCRTD and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken. Sick leave is not required to be paid out upon termination and therefore is not part of the liability calculated at year 2009, and 2008 the liability for compensated absences was \$74,193 and \$40,727, respectively, and is included in the statement of net assets line captioned accrued liabilities.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. The maximum amount that may be accumulated and carried over into the following year is not to exceed two (2) times the annual maximum accrual. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the “changes in long term debt” note in this report for the accrued compensated absences payable outstanding as of At June 30, 2009.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

K—Grant Revenues

Proceeds from the Department of Transportation and other grants are considered voluntary nonexchange revenues under GASB Statement 33. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when NCRTD has incurred an allowable expenditure under the terms of the grant agreement. Other grant revenue consists of grants from members of NCRTD, to include monies for which NCRTD must match (through user fees or other grants) at least one dollar for every four dollars provided by the Department of Transportation grant.

L—Budgets

NCRTD's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenses. The budgets is presented on the modified accrual basis of accounting, which does not include capitalizing fixed capital assets over \$5,000, instead these expenditures are presented as capital outlay.

The Financial Manager prepares an overall budget by project fund for NCRTD which is adopted by the Board. This Budget includes expected receipts and expenditures of the Operating Fund. NCRTD is required to prepare budgets for each program for submission directly to that program's funding source. Each funding 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 NCRTD to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, NCRTD legally approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The only difference between the GAAP basis and the GAAP budgetary basis financial statements are that the GAAP budgetary basis records capital outlay as an expenditure and the GAAP basis financial statements capitalizes those amounts of \$5,000 and greater.

The time, at which appropriations lapse, depends on the funding source and related legal requirements. Unexpended appropriations funded by all grants do not lapse at the fiscal year-end and may be carried forward. There were no appropriations received by NCRTD as of June 30, 2009.

The legal level of budgetary control is as follows: personnel expenses and other operating expenses. The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

New Mexico State law prohibits NCRTD from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2009/2010 budget has been legally adopted.

NOTE 3—CASH AND CASH EQUIVALENTS

Please see the Schedule of Cash and Deposits and Pledged Collateral By Bank and Account in the supplementary information section of the audit report. Below are required disclosures regarding credit and interest risk.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. NCRTD’s policy is to require collateralization of 50% of the uninsured portion of NCRTD’s deposits with financial institutions, in accordance with state statute.

NOTE 4—RECEIVABLES

<u>Type</u>	<u>2009</u>	<u>2008</u>
Member match receivable	\$ 49,397	349,481
NM DOT federal grant receivable	191,606	380,128
Vendor refund receivable	9,272	2,381
Allowance for doubtful accounts	-	-
Total	\$ <u>250,275</u>	<u>731,990</u>

All receivables noted above are deemed fully collectible and an allowance for doubtful accounts has not been established. All amounts are deemed collectible within one year of June 30, 2009.

NOTE 5—ACCRUED LIABILITIES

<u>Type</u>	<u>2009</u>	<u>2008</u>
Payroll related taxes and deductions	\$ 19,539	145,796
Accrued payroll	58,821	42,966
	\$ <u>78,360</u>	<u>188,762</u>

NOTE 6—PERA PENSION PLAN

A—Plan Description

Plan Description. Substantially all of NCRTD’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

B—Funding Policy

NCRTD contributes to the plan through the City of Santa Fe and is under the same state statutes as the City of Santa Fe. Under Municipal Plan #2, state statute requires that plan members contribute 9.15% of their gross salary. NCRTD is required by state statute to contribute 9.15% of the gross covered salary.

NCRTD's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$94,379, \$61,026, and \$15,535, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 7—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

A—Plan Description

NCRTD contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

B—Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

NCRTD's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$9,553, \$7,465 and \$6,659, respectively, which equal the required contributions for each year.

The Retiree Health Care Authority is implemented GASB 43 in FY08. As part of the State of New Mexico, all state agencies were required to implement GASB 45 in FY08. The existence of the new GASB 45 standard and its expected impact on the agency is unknown.

NOTE 8—PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

Business Type Activities	Balance 2008	Additions	Adjustments	Balance 2009
Vehicles	\$ 774,177	713,671	49,000	1,536,848
Computer and Related Equipment	7,976	33,559	-	41,535
Leasehold improvements	-	5,625	-	5,625
Buildings	-	32,132	-	32,132
	<u>782,153</u>	<u>784,987</u>	<u>49,000</u>	<u>1,616,140</u>
Less accumulated depreciation for:				
Vehicles	(78,295)	(235,308)	(49,000)	(362,603)
Computer and Related Equipment	(399)	(6,789)	-	(7,188)
Leasehold improvements	-	(23)	-	(23)
Buildings	-	(603)	-	(603)
	<u>(78,694)</u>	<u>(242,723)</u>	<u>(49,000)</u>	<u>(370,417)</u>
Capital assets, net	<u>\$ 703,459</u>	<u>542,264</u>	<u>-</u>	<u>1,245,723</u>

For the years ended June 30, 2009 and 2008, depreciation expense was \$242,723 and \$78,694, respectively.

As of the year ended June 30, 2009, NCRTD had idle equipment in the category of vehicles of acquisition cost of \$180,000, accumulated depreciation of \$94,850 and a book value of \$85,150. No insurance recoveries will be collected related to the idle equipment.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

Liens

All capital equipment purchased with funds provided by New Mexico Department of Transportation (NMDOT) shall reflect a lien held by NMDOT. The maturity of liens is as follows: four years for vans, sedans, and station wagons and seven years for small buses from the date of issuance of Certificate of Title

NOTE 9—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	<u>Balance</u> <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences payable	\$ 51,392	64,288	(41,487)	74,193	40,727

Prior year compensated absences have been liquidated by the operating fund.

NOTE 10—RISK MANAGEMENT

NCRTD is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

NOTE 11—GRANTS

NCRTD receives financial assistance from federal sources in the form of grants. The expenditures of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The federal agencies reserve the right to conduct a follow-up review. Any disallowed expenditures resulting from federal agency review could become a liability of the NCRTD.

NOTE 12—LEASE COMMITMENTS

NCRTD entered into a lease beginning November 17, 2008 for office space. The term of the lease is for 24 months for \$1,900 a month. Rental expenses under the lease in 2009 were \$20,007 and were \$13,953 in 2008. The future remaining lease payments under these agreements are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2010	\$ 22,800
2011	7,600
2012	-
2013	-
2014	-
Thereafter	-
Total	\$ <u>30,400</u>

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2009, With Comparative Totals For 2008

NOTE 13—RESTRICTED NET ASSETS

On March 20, 2007, an agreement between NCRTD and Los Alamos County was reached where funding in the amount of \$1,600,000 was awarded to NCRTD to fund operations. Of the total, \$500,000 was received in fiscal year 2007 and \$1,100,000 was received in 2008. As part of the agreement, NCRTD is to maintain a revolving fund for working capital maintained in perpetuity through reimbursement from other revenue sources, including federal grants. At June 30, 2009, the revolving fund balance was \$490,157 and at June 30, 2008, the revolving fund balance was \$490,157. These amounts are presented as restricted net assets on the statement of net assets.

NOTE 14—RELATED PARTY TRANSACTIONS

The by-laws of NCRTD require the composition of the Board of Directors to represent member governments. As a result, many members of the Board of Directors are employed by, or serve in an elected capacity for, the member governments. Due to the nature of NCRTD, Board members have a significant interest in the NCRTD's transactions related to the furnishing of services to their respective governments, community and constituents.

NOTE 15—RESTATEMENT OF RECEIVABLES

A restatement of net assets was required to adjust receivables to its proper balance in the prior year ended June 30, 2008. Receivables were mistakenly accrued from a funding source because the invoices were not run through NCRTD's receivable module, but rather billed on a cash basis. The amounts are as follows:

Receivables	\$ 832,305
Adjustment	<u>(100,315)</u>
Grant receivables - adjusted	<u><u>\$ 731,990</u></u>

The corresponding grant revenue for the year ended June 30, 2008 was decreased for the same amount. The comparative totals for 2008 were restated for the Statements of Net Assets and Revenues, Expenses and Change in Net Assets as noted in the financial statements. The comparative totals for the Statement of Cash Flow remained unchanged. It was not considered necessary to reissue the June 30, 2008 audit report for this restatement.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (GAAP BUDGET BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009 WITH COMPARATIVE TOTALS FOR 2008**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance
Operating Revenues				
Revenue				
Charges for services (program revenues)	\$ 60,000	30,000	12,394	(17,606)
Operating Expenses				
Personnel Services	1,477,551	1,644,864	1,641,279	3,585
Other Operating Expenses	1,580,404	2,036,488	1,003,354	1,033,134
Capital Outlay	605,075	848,785	784,987	63,798
Total Operating Expenses	<u>3,663,030</u>	<u>4,530,137</u>	<u>3,429,620</u>	<u>1,100,517</u>
Operating Income (Loss)	<u>(3,603,030)</u>	<u>(4,500,137)</u>	<u>(3,417,226)</u>	<u>1,082,911</u>
Nonoperating Revenues (Expenses)				
Federal grants	1,925,857	1,880,554	1,578,156	(302,398)
State and local grants	172,112	690,000	688,910	(1,090)
Member local match	1,795,151	1,689,703	926,090	(763,613)
Interest income	-	-	7,348	7,348
Total Nonoperating Revenues (Expenses)	<u>3,893,120</u>	<u>4,260,257</u>	<u>3,200,504</u>	<u>(1,059,753)</u>
Change in net assets	<u>\$ 290,090</u>	<u>(239,880)</u>	<u>(216,722)</u>	<u>23,158</u>
Net assets, beginning of year		<u>2,290,938</u>	<u>2,290,938</u>	
Net assets, end of year			<u><u>\$ 2,074,216</u></u>	

Reconciliation to Statement of Revenue, Expenses and Changes in Net Assets

Change in net assets-budget basis	\$ (216,722)
Subtract depreciation that was recorded on the statement of operations but not on GAAP Budget Basis	(242,723)
Capital outlay that was capitalized on the balance sheet but not on GAAP Budget Basis	<u>784,987</u>
Change in net assets-business type activity - full accrual basis	<u><u>\$ 325,542</u></u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Passed through New Mexico Department of Transportation			
5311 Grant - Capital, Admin and Operating Expenses	20.509	M00690	\$ 402,953
5311 Grant - Capital, Admin and Operating Expenses	20.509	M00813	758,546
5316 Grant Transportation Assistance-JARC	20.516	M00814	259,898
5304 Grant - Service Plan - Gannett Fleming	20.515	M00837/4	9,299
5309 Grant - Bus and Bus Facilities	20.500	M00595	91,687
Total U.S. Department of Transportation			<u>1,522,383</u>
U. S. Department of Health and Human Services			
Passed through Mid-Region Council of Governments			
Temporary Assistance to Needy Families (TANF)	93.558	GSA-09-630-9000-0002	31,837
Temporary Assistance to Needy Families (TANF)	93.558	GSA-09-630-9000-0002	23,936
Total Expenditures of Federal Awards			<u>\$ 1,578,156</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2009

Note 3 - Subrecipients

The organization provided no federal awards presented above to sub-recipients during the year.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF CASH AND DEPOSITS AND PLEDGED COLLATERAL BY BANK AND ACCOUNT
AS OF JUNE 30, 2009**

<u>Account Name</u>	<u>Account Type</u>	<u>Los Alamos National Bank</u>	<u>Bank of America</u>	<u>Bank Balance</u>	<u>Deposits In Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
LANB Checking	Checking Account	\$ 1,362,615	-	1,362,615	-	(66,264)	1,296,351
Espanola Checking	Checking Account	-	8,023	8,023	-	-	8,023
Total amount of deposit in bank		1,362,614	8,023	1,370,637	-	(66,264)	1,304,374
FDIC coverage		(250,000)	(8,023)	(258,023)			
Total uninsured public funds		1,112,614	-	1,112,614			
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		556,307	-	556,307			
<u>Description</u>	<u>Maturity/CUSIP</u>	<u>Pledged Market Value</u>					
Pledged Security At:							
Dallas: FHLB Letter of Credit	6/10/11/3133XLHQ9	1,613,055	-	1,613,055			
Subtotal - Collateral		1,613,055	-	1,613,055			
Amount over/(under)/ collateralized		\$ 1,056,748	-	1,056,748			
Total book balance						\$	<u>1,304,374</u>

Custodial Credit Risk is the risk that in the event of a bank failure, NCRTD's deposits may not be returned. The NCRTD does not have a policy for custodial credit risk. As of June 30, 2009, The NCRTD bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	\$	-
Uninsured, collateral held by the pledging banks, but not in the name of the NCRTD		1,112,614
	\$	<u>1,112,614</u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS
FOR YEAR ENDED JUNE 30, 2009**

Item #	Name of Entity	Type of Agreement JPA/MOA/MOU	Description of Services	Type of Funds	Beginning Date	End Date	Total Estimated Project Amount and Amount Applicable to Agency	Amount Contributed by NCRTD During Current Fiscal Year	Contribution of Working Capital to NCRTD	Termination Clause
1.	City of Santa Fe	MOU	El Dorado Bus Shuttle Service	FY 09 LA Contribution	4/9/2009	12/31/2009	\$ 340,353.18	\$ 122,241.78	\$ -	Upon 30 Days
						Federal Match	\$ 70,129.40			Written Notice to the Other Party
						Local Match - City	\$ 100,000.00			
2.	County of Santa Fe	MOA	El Dorado Bus Shuttle Service	Local Match Contribution	11/18/2008	7/31/2009	\$ 340,353.18	\$ 150,223.78	\$ -	Upon 60 Days Written Notice to the Other Party
						Federal Match	\$ 70,129.40			
						Local Match - County	\$ 120,000.00			
3.	County of Rio Arriba	MOA	Transportation Services	Local Match Contribution	7/31/2007	7/31/2017	\$ 1,626,375.00	\$ 438,697.40	\$ -	Based on Funds Availability
						Federal 5311	\$ 1,074,477.60			
						Local Match - County	\$ 113,200.00			
4.	City of Espanola	MOA	Transportation Services	Local Match Contribution	7/31/2007	7/31/2017	\$ 1,626,375.00	\$ 514,093.65	\$ -	Based on Funds Availability
						Federal 5311	\$ 1,074,477.60			
						Local Match - City	\$ 37,803.75			
5.	Rio Metro RTD	Intergovernmental Agreement	Commuter Rail Service	Santa Fe County Gross Receipts Tax	4/29/2009	Indefinite	Dependent Upon Tax Receipt Collections	\$ -	\$ -	As Long as Regional Transit GRT is Levied
6.	Pueblo of Ohkay Owingeh	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution		6/30/2009	\$ 638,750.00	\$ 295,500.00	\$ -	Termination for Cause by NMDOT
						Federal 5316	\$ 288,750.00			
						TANF	\$ 47,000.00			
						Local Match-Pueblo	\$ 7,500.00	\$ -		
7.	County of Los Alamos	MOU	To Provide Local Match for Federal Grants	Los Alamos Contribution	10/1/2008	9/30/2009	\$ 880,000.00		\$ 880,000.00	Upon 30 Day Written Notice by either party
8.	Pueblo of Pojoaque	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution	4/20/2009	6/30/2009	\$ 700,000.00	\$ 293,000.00	\$ -	Termination for Cause by NMDOT
						Federal 5316	\$ 350,000.00			
						TANF	\$ 47,000.00			
						Local Match-Pueblo	\$ 10,000.00			
9.	Pueblo of Santa Clara	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution	11/30/2008	6/30/2009	\$ 638,750.00	\$ 293,479.12	\$ -	Termination for Cause by NMDOT
						Federal 5316	\$ 288,750.00			
						TANF	\$ 47,000.00			
						Local Match-Pueblo	\$ 9,520.88	\$ -		
						Total	\$ 10,546,695	\$ 2,107,236	\$ 880,000	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS ON BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors and Management of
North Central Regional Transit District
and
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) of the as of and for the year ended June 30, 2009, and the budget comparison schedule for the year ended June 30, 2009 presented as supplementary information, and have issued our report thereon dated February 15 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of NCRTD's financial statements that is more than inconsequential will not be prevented or detected by NCRTD's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 06-01, 07-01, 08-01 through 08-08, and 08-10 through 08-11.

A material weakness is a significant deficiency, or combination of significant deficiencies, that

result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NCRTD's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01, 08-01 through 08-04 and 08-06 through 08-08, and 08-10 through 08-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCRTD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-01, 07-01, 08-01 through 08-05, and 08-07 through 08-11.

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

This report is intended solely for the information and use of the finance committee, management, of NCRTD, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, script font.

Hinkle & Landers, P.C.
February 15, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors and Management of
North Central Regional Transit District
and
Mr. Hector H. Balderas, New Mexico State Auditor

Compliance

We have audited the compliance of North Central Regional Transit District. (NCRTD), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. NCRTD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of NCRTD's management. Our responsibility is to express an opinion on the NCRTD's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the NCRTD's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the NCRTD's compliance with those requirements.

In our opinion, the NCRTD complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-01, 08-07, and 08-11

Internal Control Over Compliance

The management of NCRTD is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the NCRTD's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the NCRTD's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in NCRTD's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 06-01, 08-07 and 8-11 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider 06-01, 08-07 and 8-11 to be material weaknesses.

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

This report is intended solely for the information and use of the finance committee, management, of NCRTD, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle & Landers, P.C.
February 15, 2011

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

 Material weaknesses identified? X Yes _No

 Significant deficiencies identified that are
 Not considered to be material weaknesses? X Yes _No

Non-compliance material to financial statements noted? X Yes _No

Federal Awards

Internal Control

 Material weaknesses identified? X Yes _No

 Significant deficiencies identified that are
 Not considered to be material weaknesses? X Yes _No

Type of auditors' report issued on major programs Unqualified

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

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
20.509	Capital, Administrative and Operating Expenses	U.S. Dept of Transportation

Dollar threshold use to distinguish between A and B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

**SECTION II AND III-FINANCIAL STATEMENTS AND FEDERAL AWARD AND STATE
AUDITOR FINDINGS**

Reference FY- Finding #	Findings	Status of Prior Year Findings	Financial Statement Finding	Federal Award Finding	State Auditor Finding	Material Weakness	Significant Deficiency
06-01	- Due Date Of Audit Report And Data Collection Form	Repeated	Yes	Yes	Yes	Yes	Yes
07-01	- Missing Disbursement Documentation	Repeated	Yes	No	No	No	Yes
08-01	- Cash Disbursements—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Repeated	Yes	No	No	Yes	Yes
08-02	- Cash Receipts—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Repeated	Yes	No	No	Yes	Yes
08-03	- Payroll Function—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Repeated	Yes	No	No	Yes	Yes
08-04	- Controls Over Maintaining The General Ledger And Audit Report	Repeated	Yes	No	No	Yes	Yes
08-05	- Certification Of Capital Assets Annual Inventory	Repeated	Yes	No	Yes	No	Yes
08-06	- Computer Passwords	Repeated	Yes	No	No	Yes	Yes
08-07	- Federal And State Grants	Repeated	Yes	Yes	No	Yes	Yes
08-08	- Debit Card	Repeated	Yes	No	No	Yes	Yes
08-09	- Payroll Approval Rates, I-9s Not Documented	Repeated	No	No	Yes	No	Yes
08-10	- Approved Journal Entries	Repeated	Yes	No	No	Yes	Yes
08-11	- Recording of Revenue And Changing Original G/L Entries	Repeated	Yes	Yes	No	Yes	Yes

06-01—LATE AUDIT REPORT/DATA COLLECTION FORM-Modified

Statement of Condition

The annual financial and compliance audit for the year ending June 30, 2009 was not conducted within the time limit imposed by the State of New Mexico guidelines or requirement for the State Auditor Rule for “Conducting of Audits”. The audit was mailed to the Office of the State Auditor on February 21, 2011. The Data Collection Form required to be filed with the Federal Clearing House was not submitted within nine months after the end of the fiscal year as required by OMB Circular A-133.320.

Criteria

The requirements set forth in the New Mexico State Auditors’ Rule 2 NMAC 2.2 require that the financial and compliance audit be conducted and completed within five and a half months of NCRTD’s fiscal year end which was December 15, 2009. The Data Collection Form is required to be filed within nine months after the end of the fiscal year in accordance with OMB Circular A-133.320.

All Federal Programs affected– Please see Schedule of Federal Expenditures per Table of Contents.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Effect

The financial and compliance audit is a statute requirement. Failure to have a completed audit by the stipulated date may jeopardize NCRTD's eligibility for funding from the State Legislature and Federal agencies.

Cause

NCRTD did not have their books and records ready for audit until after the December 15th, 2009 deadline and there has been a delay by the organization in preparing the items requested by the auditor in a timely manner.

Recommendation

The auditor and auditee must coordinate the timing of the audit and ensure that deliverables requested by the auditor are ready to be audited in a timely manner in the future to meet the December 15th deadline.

Management Response

The FY07 audit was delayed by the NCRTD's then fiscal agent (City of Santa Fe). Without having an FY07 audit NCRTD could not start the FY08 audit which was late, basically starting from FY07 being late the remaining audits were late (domino effect). During FY09 there was also not enough financial staff to run the day to day operations and focus on an audit as well. The NCRTD no longer uses a fiscal agent and we have hired additional staff to assist with all the financial duties.

07-01—MISSING DISBURSEMENT DOCUMENTATION

Statement of Condition

We selected a random sample of 61 disbursements, 5 travel related disbursements, and 5 journal entries. We also tested 5 significant disbursements and found the following:

- A) On 41 disbursements out of 71, purchase orders or approvals were not found.
- B) Out of 5 journal entries selected zero showed documentation or authorization of the journal entry.
- C) On 28 disbursements out of 71, no approval was found for the disbursement.
- D) On 18 disbursements out of 71, the business purpose of the expense was missing or incomplete.
- E) 7 of the disbursements were for meal and entertainment purposes, out of those 7, 7 did not have the detail support the items for the meal and 7 did not have the business purpose documentation.
- F) On 4 disbursements out of the 5 for travel related purposes, 4 did not have business purpose documentation.
- G) 4 of the disbursements were for per diem purposes, 1 did not have approval signatures and 1 did not have business purpose documentation.

Criteria

NCRTD's accounting polices and the State of New Mexico polices and Procurement Code require sufficient supporting documentation.

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Schedule of Findings and Questioned Costs
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Effect

NCRTD is out of compliance with the Procurement code and Internal Controls are weak in this area. Because of these weaknesses, the auditor has determined these issues constitute a significant deficiency in NCRTD's internal controls.

Cause

The policies and procedures established by NCRTD's and the State of New Mexico Procurement code are not always being followed and the requirements have not been monitored.

Recommendation

NCRTD should make improvements to the process by which it implements its procurement process and the State Procurement process as can be noted by the exceptions in the statement of condition above.

Management Response

NCRTD finance staff will continue to train and work with other staff to ensure that all staff members are aware of the State Procurement rules and processes. NCRTD financial staff will make sure that internal procedures and policies are adhered to as well. This may mean that NCRTD's policies and procedures need to be updated and approved by the Board so that NCRTD is in line with State Procurement policies.

08-01—CASH DISBURSEMENTS—LACK OF SEGREGATION OF DUTIES
/INTERNAL CONTROLS WEAKNESSES

Statement of Condition

During our interviews about the organization's internal controls and subsequent testing of internal controls of cash disbursements, we determined the following weaknesses:

The Finance Manager (FM) does the following or has the opportunity to:

1. Prepare checks in the accounting software
2. Access to the check stock
3. Print out the checks
4. Reconciles the bank accounts
5. No one reviews the monthly bank reconciliations
6. Is the first person to review the detail in the bank statement received in the mail

Also, reviewing the bank reconciliations, there were 6 checks older than 6 months and therefore considered stale-dated. The amount of the checks was \$434.02. Stale dated checks on the bank reconciliation are an indication that the bank reconciliations are not being properly monitored.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

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The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for the NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner and for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

Cause

The organization was still in a development stage during fiscal year 2009 and had limited staff and therefore could not segregate duties.

Recommendation

Based on the limited staff available during the fieldwork for the audit that primarily took place in December of 2010, we recommend the following:

Segregate the duties as follows:

1. Prepares checks in the accounting software—should be done by the FM.
2. Has access to the check stock—primary access and custodian should be FM.
3. Prints out the checks— should be done by the FM.
4. Reconciles the bank accounts—should be done by the Financial Analyst (FA)
5. No one reviews the monthly bank reconciliations— should be done by the Executive Director (ED). Based on a summary prepared by the financial analyst. (See Exhibit 1 below)
6. Is the first person to review the detail in the bank statement received in the mail— should be done by the Executive Assistant (EA).

Control activities should be implemented as follows:

Item 5, the hard copy reconciliations of the bank accounts should be printed out signed and dated by the reconciler.

Item 6, the bank statement and reconciliation review should be documented with the attached checklist, which should be signed and dated by the reviewer. The checks and deposits and other activities should be reviewed and signed off as completed as described in the bank statement and reconciliation review checklist presented below as Exhibit 1.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
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Exhibit 1

Bank Statement And Reconciliation Review Checklist

To be completed by A Responsible Official Who Does Not Handle Cash

ACCOUNT:

- LANB Checking
 Bank of America Espanola
 Other

1. *Compare the bank balance shown on the reconciliation report and make sure it matches the amount on the bank statement.*

Bank balance on reconciliation report _____

Ending balance on bank statement _____

Do they match? yes no

2. *Review the deposit transactions that passed through the bank shown on the bank reconciliation report. Look at the frequency of deposits. There should be a consistency of the frequency of deposits and the gap between deposit dates should not be more than 5 business days, maximum.*

Is there more than 5 days between deposits? yes no

If so, what is the reason? _____

3. *Review the disbursement transactions shown on the bank reconciliation report. Look at the check number sequence. The check numbers should be in sequence on the whole. Review the images of the cancelled checks from the bank statement. Determine if the vendors and amounts appear reasonable. Look at signatures to see if they look authentic.*

Are the check numbers mostly in sequence? yes no

Are all the check images included? yes no

Are there any new vendors? yes no

Are the amounts paid to the vendors reasonable? yes no

Do the signatures seem authentic? yes no

4. *Review any deposits that have been recorded in QuickBooks but have not passed through the bank. Deposits outstanding should not be outstanding more than 5 business days, maximum. Any deposits that appear older than 5 days should be investigated.*

Are there any deposits in transit older than 5 days? yes no

If so, what is the reason? _____

5. *Review disbursements that have been recorded in QuickBooks but have not passed through the bank. Determine if the vendors and amounts appear reasonable. If disbursements are older than 3 months they should be investigated. Once disbursements are older than 6 months, they should be researched by the accountant/bookkeeper to determine why they are still outstanding. If there are outstanding disbursements to certain vendors such as tax authorities or other organizations that need timely payment, these should not be outstanding more than 30 days.*

Review checks that have not cleared the bank.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
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Are any more than 30 days old? yes no

If yes, are the vendors and amounts reasonable? yes no

6. *The balance per the register on the reconciliation report should match the balance on the Balance Sheet for the cash account. If it does not that indicates that changes have been made to the cash account after the bank reconciliation was made. If they do not match, the difference should be investigated.*

Ending Balance on reconciliation report _____

Operating account balance on Balance Sheet _____

Do they match? yes no

If not, why not

7. *Once the report is printed out, it should be signed and dated by the reconciler and then it should be signed and dated by the reviewer as well. This signing and dating indicate that responsibility has been taken for the monitoring and safeguarding cash*

Title and Signature of Review _____ Date _____

Issues to be aware of:

Is it possible that a disbursement is not for organizational related purposes?

Is the Vendor approved by the organization?

If there are question about items that do not make sense consider contacting you Independent Auditor or the Office of the State Auditor

Management Response

NCRTD hired a Financial Analyst (there is currently no Accounting Assistant) for the last part of FY09 and this position has been tasked so far with FY08 audit work and a major portion of the new software implementation (Oct. 2009). It has always been the plan to integrate her into the general segregation of duties required for proper internal controls as soon as the pressing, time-sensitive projects are well under way. NCRTD is following the recommendations of the auditor and we have segregated the duties as much as we can with the financial staff.

08-02—CASH RECEIPTS—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES

Statement of Condition

During our interviews about the organization’s internal controls and subsequent testing of internal controls of cash receipts, we determined the following: weaknesses:

The Finance Manager (FM) does the following or has the opportunity to:

1. Creates and records the receivable in the accounting software.
2. Receives the checks the come in the mail and has complete access and can edit the check log that the Executive Assistant creates.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
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3. Stamps the back of the checks “For Deposit Only”, limiting the deposit to NCRTD bank accounts.
4. Posts the cash receipts against the receivables previously created or as revenue.
5. Has the ability to adjust and/or write-off receivables balances without any authorization.
6. Is the only one who investigates revenue/receivable discrepancies.
7. Prepares the deposits.
8. Makes the majority of the deposits to the bank.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for the NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash receipts that may go undetected because of the weak control activities associated with lack of safeguarding of cash receipts and the lack of monitoring of the bank account.

Cause

The organization was still in its development stage during fiscal year 2009 and had limited staff and therefore could not segregate duties.

Recommendation

Based on the limited staff available during the fieldwork for the audit that primarily took place in August of 2009, we recommend the following:

Segregate the duties as follows:

1. Creates and records the receivable in the accounting software—should be done by the FM.
2. Receives the checks the come in the mail and has complete access and can edit the check log that the Executive Assistant creates- should not be available to FM except on hard copy additional control activities should be added as noted below.
3. Stamps the back of the checks “For Deposit Only”, limiting the deposit to NCRTD bank accounts—should be done by the EA.
4. Posts the cash receipts against the receivables previously created or as revenue—should be done by the FA.

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5. Has the ability to adjust and/or write-off receivables balances without any authorization.—should be done by the FM as authorized in writing by the Board. Is the only one who investigates revenue/receivable discrepancies—should be done by the FM.
6. Prepares the deposits—should be done by the EA.
7. Makes the majority of the deposits to the bank—should be done by the FA.

Control activities should be implemented as follows:

Item 1, related to this item, a receivable aging report should be reviewed by the Board in as part of the financials that are presented at the Board meetings.

Item 2, because the FM creates the receivables, the FM should not have any access to incoming currency, checks or any other type of cash. The FM should only receive copies of the checks.

Item 3 The incoming checks should be stamped “Deposit Only” for the appropriate NCRTD bank account as soon as possible by the Executive Assistant.

Item 4 the financial analyst should input the cash receipts into the accounting system against the proper receivable balance or general ledger account.

Item 5, A write-off and allowance for doubtful accounts policy should be approved by the Board of Directors. Written documentation by the Board approving should accompany any journal entries adjusting receivables.

Management Response

NCRTD has implemented the recommendations made by the auditor in FY10 and NCRTD will continue to adjust and tighten controls by updating and reviewing our policies and procedures each year. We have started to segregate duties as the new staff members have come on board and been trained. On September 8, 2009 the Executive Assistant created a check log and this log is updated when checks are received. We feel that this procedure will resolve the finding.

08-03—PAYROLL FUNCTION—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES

Statement of Condition

During our interviews about the organization’s internal controls and subsequent testing of internal controls of payroll, we determined the following weaknesses:

The Finance Manager sets up and disburses payroll direct deposits checks without anyone else’s authorization.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

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The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

Cause

The organization was still in its development stage during fiscal year 2009 and had limited staff and therefore could not segregate duties.

Recommendation

Authorization for set up of employee direct deposit accounts should be required by the Executive Director. All payroll registers should be signed off by the executive director after funds are disbursed to employees and related payroll expenditures in a timely manner

Management Response

NCRTD in FY10 has established a procedure to ensure that payroll registers and direct deposit accounts are signed off by the Executive Director. After each payroll is processed the Executive Director has to sign off on the payroll/direct deposit register before the data is processed at our bank. On January 1, 2010 a new process was started where the Executive Director signs the check registers and we feel this new procedure will resolve this finding.

08-04—CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT

Statement of Condition

During our audit we made several adjustments to NCRTD’s books that the new SAS 115 requires to report as a finding.

Criteria

Statement of Auditing Standards (SAS) 115 was implemented as of December 15, 2009. Some of the key underlying concepts of this standard follow.

- The auditor cannot be part of a client’s internal control. Becoming part of a client’s internal control impairs the auditor’s independence.
- What the auditor does is independent of the client’s internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.

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- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

Effect

Because these adjustments were made by the auditor and not by NCRTD, it results in an internal control weakness in maintaining the general ledger and would extend to the audit report.

Cause

The implementation of SAS 115, which requires the auditor to reconsider the design and processes needed to be implemented and executed by the auditee and carry them forward to the financial statements is the cause of this finding as in previous years these adjustments would not be considered a cause for a finding.

Recommendation

We recommend that NCRTD make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of NCRTD makes the adjustment and understands how and why the adjustments were made and also demonstrate the qualifications and training to present the financial statements according to generally accepted accounting principles..

Management Response

NCRTD has hired a Financial Analyst (Jan. 2009) who will be assisting the Financial Manager in reconciling the general ledger and making adjustments in a timely manner. NCRTD financial staff is working with other staff to come up with a monthly closing schedule so that the general ledger can be reconciled each month and adjustments will be posted in a timely manner.

08-05—CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY

Statement of Condition

NCRTD appears to have conducted an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars or more as of June 30, 2009, but did not certify the physical inventory count by its top governing official as required by State Statute.

Criteria

NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by Executive Director of the agency.

Effect

The inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

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Cause

NCRTD did not have sufficient staff to adequately perform this function.

Recommendation

We recommend that the NCRTD's physical inventory of capital assets contain a certification that the inventory is correct and that it be signed by the executive director of NCRTD.

We also recommend, although it is not required by state statute, that items under \$5,000 to an amount of approximately \$500 be inventoried and certified along the same lines as what NMAC 2.20.1.16 requires to ensure the safeguarding of important capital assets such as computers, cameras and other valuable assets.

Management Response

NCRTD will establish a procedure to address this concern. NCRTD finance staff has recently (Feb. 2011) been trained on the "fixed asset" module to the MIP accounting system. The staff is in the process of gathering data and reconciling both fixed assets and inventory items. The NCRTD finance staff will work with other staff to get the fixed asset and non-depreciable inventory reconciled and will establish a procedure for its certification each year.

08-06—COMPUTER PASSWORDS

Statement of Condition

Access to NCRTD's accounting software used for the 2009 books and records was not protected by a password.

Criteria

Access to computers and the related software programs should be contain IT controls. Password protected of the accounting software is one of those controls.

Effect

Unauthorized access, backups can be obtained by virtually anyone on staff and beyond that. It may be possible to make adjustments or delete valuable information undetected.

Cause

Passwords may not have been considered necessary in a small office environment.

Recommendation

We recommend that passwords be placed on the accounting software that are unique and confidential and any other computers and related software in which valuable data is stored. Passwords should be changed once an employee terminates. These issues should all be documented in IT policy

Management Response

The one computer containing the accounting software does have a password, although there is no separate password for the software itself, which resides on one computer and has a single seat license. The NCRTD is in the process of upgrading its accounting software which will have much stronger security.

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08-07—FEDERAL AND STATE GRANTS

Statement of Condition

NCRTD has a system to track its grant awards, the system needs improvement. Grant revenues and expenditures were not maintained in a summary schedule until the auditor requested the information. Several adjustments in the schedule were required by the staff at NCRTD to reach accurate totals for grant revenues and expenditures and subsequently, the auditor made adjustments to the organization's trial balance to reflect these changes.

Criteria

NCRTD is required to accurately track grants financial activity, including accrual basis revenues and expenditures by grant for its own financial statements and its grantors.

All Federal Programs affected– Please see Schedule of Federal Expenditures per Table of Contents.

Effect

Errors may occur without an accurate reconciliation of grant revenues and expenditures.

Cause

NCRTD has not implemented an accurate summary schedule of grants revenues and expenditures reconciliation.

Recommendation

We recommend that a summary schedule of state and federal grants is maintained periodically throughout the year that accurately reconciles grant award activity on an accrual basis.

Management Response

In FY09 NCRTD had one full-time finance manager and in January of 2009 NCRTD hired a financial analyst. The issue has been resolved with the implantation of new accounting software. QuickBooks was not adequate software for grant tracking.

08-08—DEBIT CARD

Statement of Condition

During our interviews about the organization's internal controls and subsequent testing of internal controls of the debit card used for cash disbursements, we determined the following weaknesses:

There is one card that is held primarily by the Executive Director. The card has access to NCRTD's main checking account which as of June 30, 2009 had a balance of \$1,3704,374.

The card is used to make purchases and has been set at the limit of \$1,000 per day. The limit can be changed by the Finance Manager and the Executive Director.

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Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The debit card has weak controls that do not appear to meet the strong internal controls required by the Professional Standards.

Effect

The card potentially has access to the entire balance on hand for the organization's main checking account, and there is opportunity for abuse with the card as the controls over purchases do not exist prior to making purchases.

Cause

The organization has a debit card linked to the main checking account.

Recommendation

We recommend that the debit card is removed and a P-Card process be used. The credit card should have a limit of \$5,000 or some other amount that is reasonable. The P-Card statement should be reconciled to the general ledger and signed and dated by the reconciler and then reviewed by a responsible official who will sign and date it.

Management Response

NCRTD is in the process of establishing the P-Card process and will utilize this for purchases instead of the debit card. The P-Card process is underway, it was started in FY10 but is a lengthy process due to Bank of America's regulations and that NCRTD has to establish policies and procedures as part of the sign-up process. This P-Card process will be completed in FY11.

08-09—PAYROLL APPROVAL RATES, I-9s NOT DOCUMENTED

Statement of Condition

We selected a sample of 5 (five) employees payroll checks to test the controls and substantiation of payroll. Out of the 5 employees selected, the organization could not locate 4 of the approved pay rate documentation. Also, out of the 5 files tested, 4 files did not contain the I-9. In addition, of the 5 files tested, 4 files did not contain form W-4. Although we were unable to verify if the pay rates were accurate for the 5 employees we tested, their salary/rate appeared reasonable for their respective positions.

Criteria

Personnel Act (10-9-1 thru 10-9-25 NMSA 1978) and good internal controls require that pay rates are well documented.

Effect

Pay rates can not be verified as to their accuracy.

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For the Year Ended June 30, 2009

Cause

Most of the staff was transferred from other local government agencies and their personnel file information was not transferred.

Recommendation

We recommend the personnel files or some other file contain the approved pay rates and documented I-9s.

Management Response

NCRTD has hired an additional employee to handle Human Resource issues. The Human Resources employee will be responsible for ensuring that all personnel files are complete and proper documentation is available.

08-10—APPROVED JOURNAL ENTRIES

Statement of Condition

Journal entries are not always seen or approved by management before they are posted into the accounting system and therefore the authorized documentation concerning the entries was not kept on file to support the journal entries.

Criteria

Good internal controls require that journal entries be approved by a responsible individual not involved in the journal entry preparation or posting, as they can significantly affect the financial statements. Supporting documentation to support the reasoning for each journal entry should be kept on file.

Effect

A large number of journal entries have been posted to several accounts which affect the financials significantly and it is not evident that management has reviewed these journal entries before they were entered into the system.

Cause

Management had not developed procedures for reviewing journal entries before entry into the accounting system.

Recommendation

Controls over journal entries should be established as soon as possible. The person creating the journal entry should initial and date the entry and a responsible official should initial and date the approval of the entry and these records supporting the reason for the journal entry should be maintained.

Management's Response

NCRTD Financial Staff in FY10 has created a Journal Entry approval form. This form will address any concerns in this finding. The new accounting system will also allow finance staff to make corrections to payment vouchers at the A/P level (there is an approval form for this as well). Journal entries will only be done on items that can't be corrected at the A/P level.

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08-11—RECORDING OF REVENUE AND CHANGING PRIOR YEAR TRANSACTIONS

Statement of Condition

During our reconciliation of federal expenditures of federal awards, we discovered:

An original entry was changed that originally debited cash and credited revenue (cash basis) to accrual basis (a receivable was set up and the revenue decreased the receivable). A similar problem was encountered when we reconciled beginning net assets when starting the audit.

Criteria

When changes to an entry are made, the original entry should not be altered without an adequate audit trail. It is strongly recommended that a subsequent correcting entry be made rather than changing the original entry.

All Federal Programs affected– Please see Schedule of Federal Expenditures per Table of Contents.

Effect

Altering transactions in the general ledger indicates a lack of internal controls and will affect the subsequent year's reconciliation of net assets as balance sheet amounts have been altered without an adequate audit trail that will result in additional hours being spent correcting the discrepancies.

Cause

It appears to be a lack of training and monitoring of recording transactions properly in the general ledger and a lack of understanding of the matching concept of revenue and expenditures of reimbursable grants.

Recommendation

Altering original entries in the general ledger should be prohibited. If changes need to be made to original entries, an audit trail should be created with memos that explain why the changes were made. If these changes affect prior years, the adjustment should include changes to the equity account so the reconciliation of net assets can be transparent rather than covered up.

Management's Response

NCRTD in FY09 only had one financial manager and NCRTD hired the financial analyst in January 2009. The accounting software was QuickBooks. NCRTD only had one license so both finance staff could not be in the software together.

In FY10 the finance staff was a total of 2 FTE and new software has been purchased and implemented. This increase in staff and software has allowed for better audit trail controls over General Ledger transactions as well as NCRTD establishing tighter policies and procedures over finance.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT

Exit Conference

For the Year Ended June 30, 2009

An exit conference was held in a closed session on February 15, 2011, at NCRTD's offices in Santa Fe, New Mexico. In attendance were the following:

Representing NCRTD:

Ms. Rosemary Romero	Board of Director
Ms. Josette Lucero	Executive Director
Ms. Kelly Muniz	Finance Manager
Ms. Berlinda Romero	Interim Financial Manager

Representing Hinkle & Landers, PC:

Mr. Farley Vener, CPA, CFE	Independent Auditor
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FINANCIAL STATEMENTS

The financial statements of NCRTD as of June 30, 2009, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.