



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**NORTH CENTRAL REGIONAL  
TRANSIT DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2014  
With Comparative Totals for 2013**



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Independent Auditor's Report  
And  
Financial Statements**

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Independent Auditor's Report  
And  
Financial Statements**

**OFFICIAL ROSTER  
As of June 30, 2014**

**Board of Directors**

<b>Board Member</b>	<b>Title</b>	<b>Representing</b>
Daniel R. Barrone, Chair	Commissioner	County of Taos
Barney Trujillo, Vice Chair	Commissioner	County of Rio Arriba
Geoff Rodgers, Secretary/Treasurer	Councilor	County of Los Alamos
Miguel Chavez	Commissioner	County of Santa Fe
Tim Vigil	Special Projects Director	Pueblo of Pojoaque
Patti Bushee	Councilor	City of Santa Fe
Regis Chavarria	Tribal Sheriff	Pueblo of Santa Clara
Dennis Tim Salazar	Councilor	City of Espanola
Lillian Garcia	Transportation Planning Manager	Pueblo of San Ildefonso
Christy Mermejo	Planning Manager	Pueblo of Ohkay Owingeh
Chuck Ring	Councilor	Town of Edgewood
Gary Talachy	Lieutenant Governor	Pueblo of Nambe
Charles Dorame	Former Governor	Pueblo of Tesuque
Terry Doyle	Ex-Officio	Rio Metro RTD

**Administration**

<b>Name</b>	<b>Title</b>
Anthony Mortillaro	Executive Director



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the NCRTD's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison presented as supplementary information, as definite by the *Governmental Accounting Standards Board*, as of and for the year ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NCRTD as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 the NCRTD for the year

ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 20 to the financial statements, the 2013 financial statements have been restated due to a change in accounting estimate related to depreciation of certain capital assets. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from the NCRTD's June 30, 2013 financial statements. In our report dated November 22, 2013, we expressed an unmodified opinion on those financial statements.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NCRTD's basic financial statements and the budgetary comparisons. 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 "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2014, on our consideration of the NCRTD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the NCRTD's internal control over financial reporting and compliance.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
November 21, 2014

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

**Management's Discussion and Analysis**

The following Management's Discussion and Analysis (MD&A) provides an overview of the North Central Regional Transit District's (NCRTD or the District) financial performance and activity for the fiscal year ended June 30, 2014. The discussion that follows has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section

This MD&A is based on currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. As with other sections of the financial report, the information contained within the MD&A should be considered only as part of a greater whole. The reader of this MD&A should take the time to read and evaluate all sections of this report, including the notes to financial statements and other supplementary information that is provided in addition to this MD&A. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

**Financial Highlights**

- The NCRTD total assets as of June 30, 2014 increased 5 percent from \$14,708,629 in FY2013 to \$15,448,713 in FY 2014.
- The District's total liabilities at June 30, 2014, decreased by \$247,481 from \$1,832,047 to \$1,584,566, a change of 14 percent, from the prior year.
- The District had a decrease of 51% in accounts payable. The District implemented new procedures inclusive of auto payments to vendors and more stringent time lines that has allowed the District a decrease its liability and enhance accountability to the public and its vendors.
- The net position of the District (assets less liabilities) at June 30, 2014, increased 14 percent or \$987,566, from \$12,876,582 to \$13,864,147 from the prior year.
- At June 30, 2014, total net position of \$4,445,294 was unrestricted, undesignated. This is an increase of \$145,949 and \$2,380,518 were unrestricted - designated, an increase of \$42,340. Restricted-working capital remained static at \$700,000 for each year from 2010 -2014.
- Total operating and non-operating revenues increased 2 percent, from \$5,002,228 in FY13 to \$5,090,115 during FY14, a difference of \$87,962.
- Gross receipt tax increased by \$69,851 from \$6,871,271 in FY13 to \$6,941,122 in FY14.
- The total operating revenues increased by 40 percent from \$17,925 in FY13 to \$44,685 in FY14 which was the result of interest earned due adopted more active investment approach related to short term investments (LGIP/Certificate of Deposits).
- The District Board approved a resolution for the NCRTD to participate in Social Security (SS) and held an individual election for employees hired before August, 2013 to determine whether they wanted Social Security coverage. Concurrently the District acquired its Section 218 Agreement for participation in SS for all employees who elected not to participate in SS and all employees hired after August, 2013. For those employees opted out of SS the District adopted a 401(A) plan.
- A compensation and classification study was performed at the end of FY13 and approved and adopted by the Board in July 2013. The Board of Directors adopted the plans recommendations.
- The District Board adopted to pick up 75% of the employees increase in Public Employees Retirement Association as of September of 2013.

**Overview of the Financial Statements**

The District's financial statements consist of net position, statement of revenues, expenses, and changes in net position and statement of cash flows. These statements offer short-and long-term financial information about all of the District's activities. The notes to the financial statements contain more detail on some of the information presented in the financial statements. Over time, increases or



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

decreases in net position, as reported on the statement of net position, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

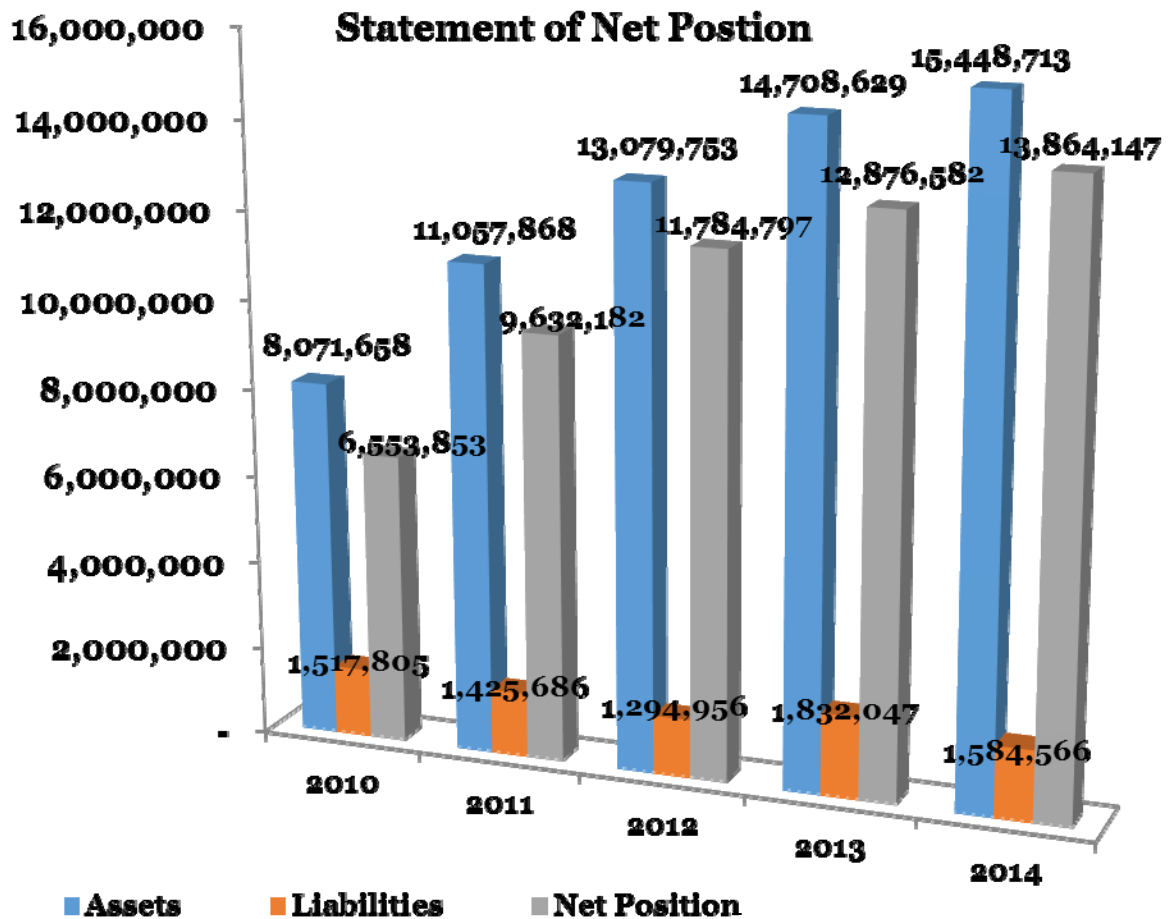
The District's financial statements have been prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements are as listed in the Table of Contents.

**Financial Highlights**

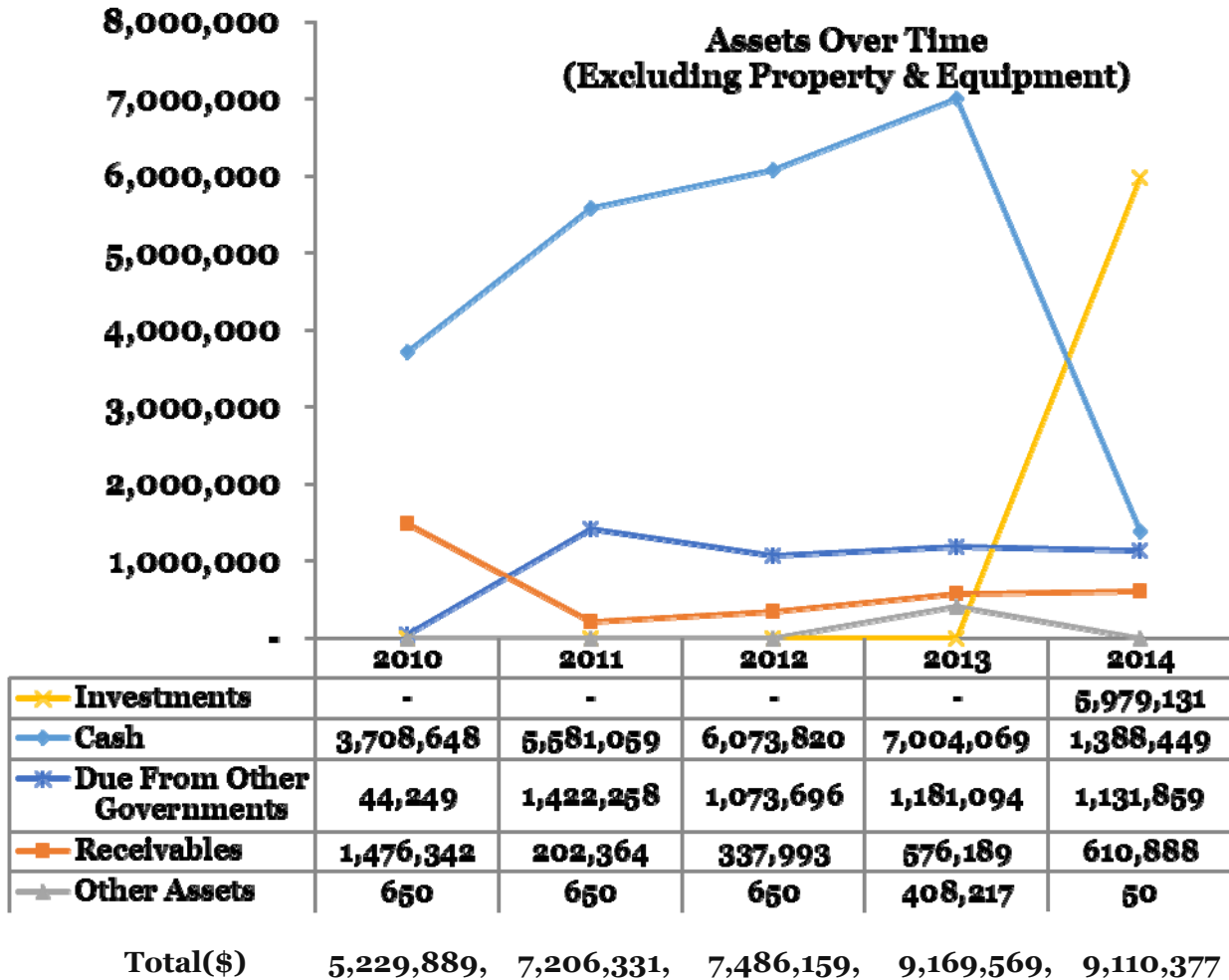
**Net Position**

Net investment in capital assets consist of land, construction in progress at cost, property and equipment, net the accumulated depreciation, less related debt.



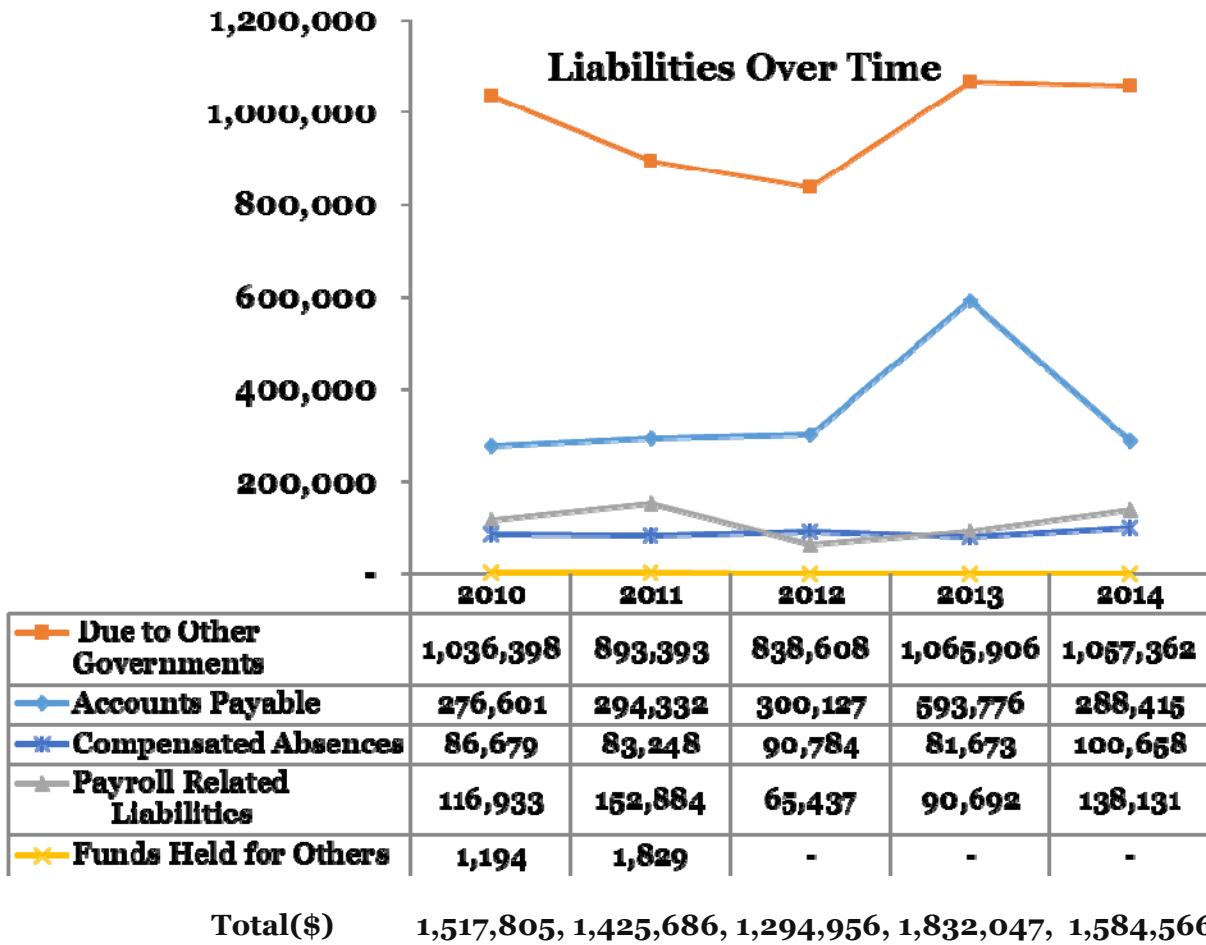
**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

The NCRTD total assets at June 30, 2014 increased 5 percent from \$14,708,629 in FY2013 to \$15,448,713 in FY 2014. This increase is due mainly to new shelters purchased by the district along with the purchase of four (4) Buses prior to year end in FY13 that rolled over into FY14. The District has also benefited in identifying the aging of Accounts Receivable and posting the cash to the Bank in a timely basis. The District also began participating in a Local Government Pool with New Mexico State Treasurer office, along with some short term secured investments mid-year which it anticipates to see growth and financial stability for the District for years to come.



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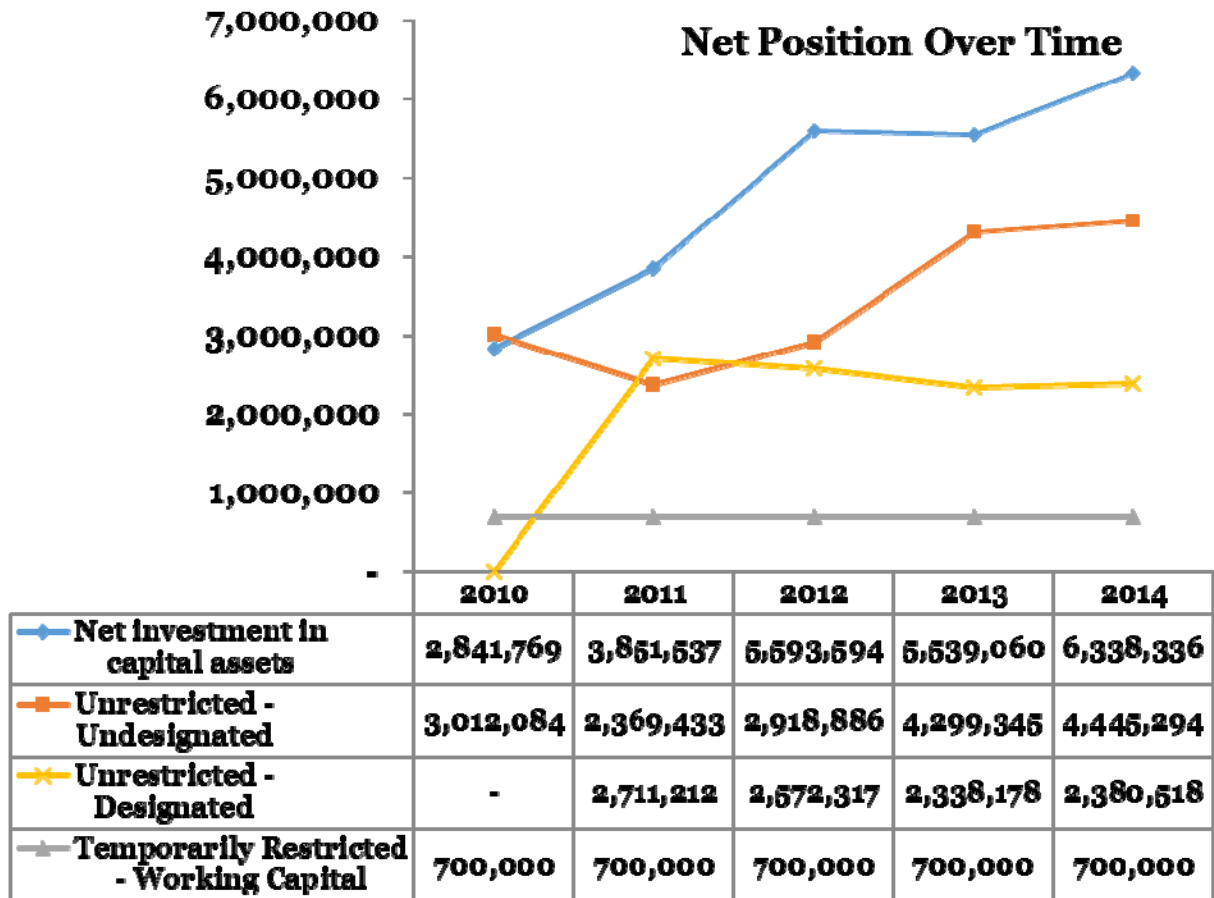
**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**



The District's total liabilities at June 30, 2014, decreased \$247,481 from \$1,832,047 to \$1,584,566, a change of 14 percent, from the prior year. The foremost line item that affected the reduction is due to a decrease of 51% in accounts payable. The NCRTD has implemented new procedures inclusive of auto payments to vendors and more stringent time lines that allowed the District a decrease its liability and more accountability to the public and its vendors. The NCRTD also posts anticipated GRT revenue in receivables and the offset to Non-RTD GRT funds in accounts payable, this variance remains static from year to year.

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**



**Total(\$)** 6,553,853, 9,632,182, 11,784,797, 12,876,582, 13,864,147

The net position of the District (assets less liabilities) at June 30, 2014, increased 14 percent or \$987,566, from \$12,876,582 to \$13,864,147 from the prior year. At June 30, 2014, total net position of \$4,445,294 was unrestricted, undesignated. This is an increase of \$145,949 and \$2,380,518 were unrestricted - designated, an increase of \$42,340. Restricted-working capital remained static at \$700,000 for each year from 2010 -2014.

The NCRTD total Liabilities and Net Position increased 5 percent at \$740,084, from \$14,708,629 to \$15,448,713 at year end June 30, 2014.

**Revenues**

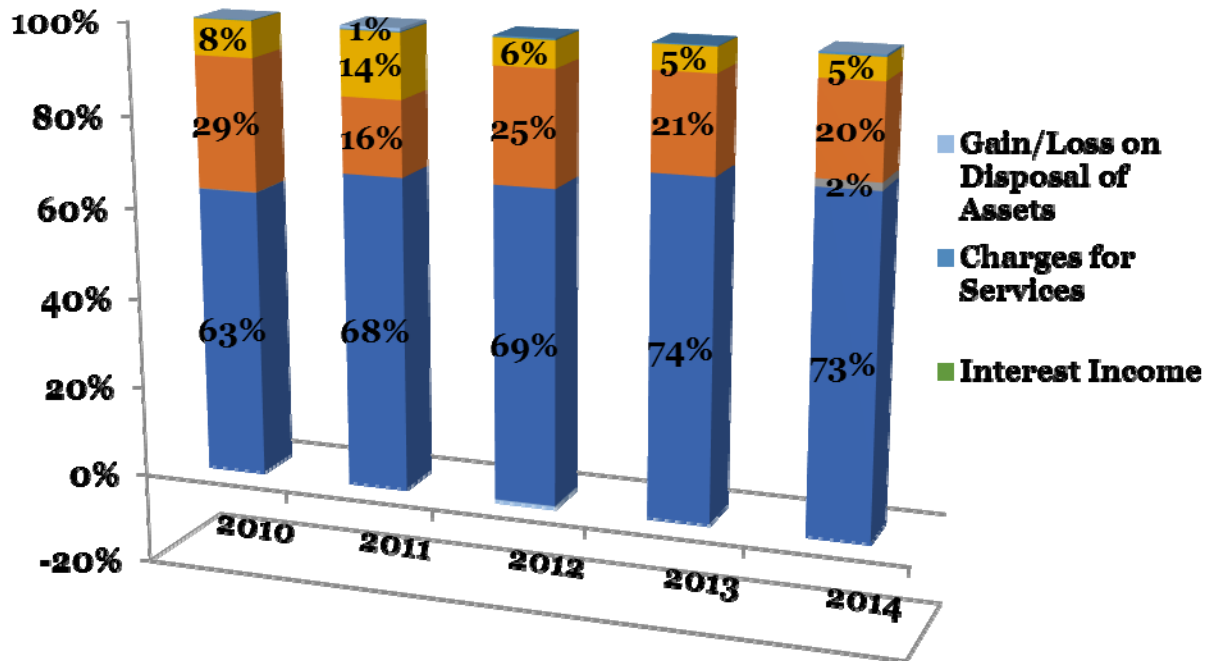
Total operating and non-operating revenues increased 2 percent, from \$5,002,228 in FY13 to \$5,090,115 during FY14, a difference of \$87,962. The slight increase was due to state capital appropriation that was received in FY14 for the purchase of capital (buses). Included in this total are revenues associated with Federal and State grants inclusive of Gross receipt tax which increased by \$69,851 from \$6,871,271 in FY13 to \$6,941,122 in FY14, the gross receipt tax pass-thru funds to other entities (\$4,387,272) are included in the net income of \$5,090,115.

- The total operating revenues increased by 40 percent from \$17,925 in FY13 to \$44,685 in FY14 which was the result of interest earned due to a more active investment approach related to short term investments (LGIP/Certificate of Deposits).

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

- Operating revenue consists of Fares \$12,370, Miscellaneous Revenue \$1,900, Auctioned vehicles \$6,402, Insurance Proceeds \$17,833, and Investment interest \$6,181.

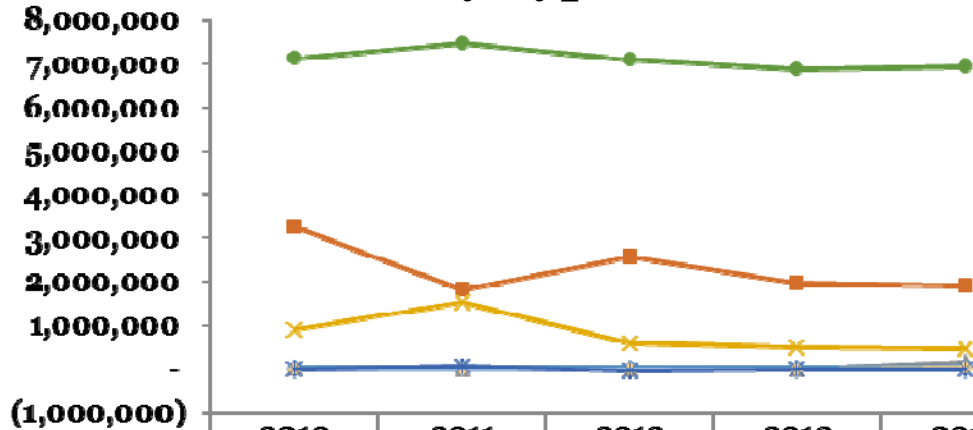
**Percentage of Total Revenue**



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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

**Revenue by Type**



	2010	2011	2012	2013	2014
—●— Gross Receipts and Other Taxes	7,112,057	7,477,175	7,083,927	6,871,271	6,941,122
—■— Federal Grants	3,271,041	1,798,955	2,566,482	1,957,128	1,902,036
—×— Member local match	896,197	1,540,000	600,000	500,000	450,000
—▲— State and Local Grants	15,000	-	-	-	161,188
—◆— Charges for Services	15,484	25,965	30,550	17,925	44,685
—◇— Advertising Sales	-	-	-	-	10,513
—○— Other Revenue	-	-	-	3,010	6,402
—□— Investment Income	-	-	-	-	3,584
—+— Interest Income	5,400	2,752	8,309	3,377	2,541
—*— Gain/Loss on Disposal of Assets	-	70,925	(42,766)	(4,734)	-

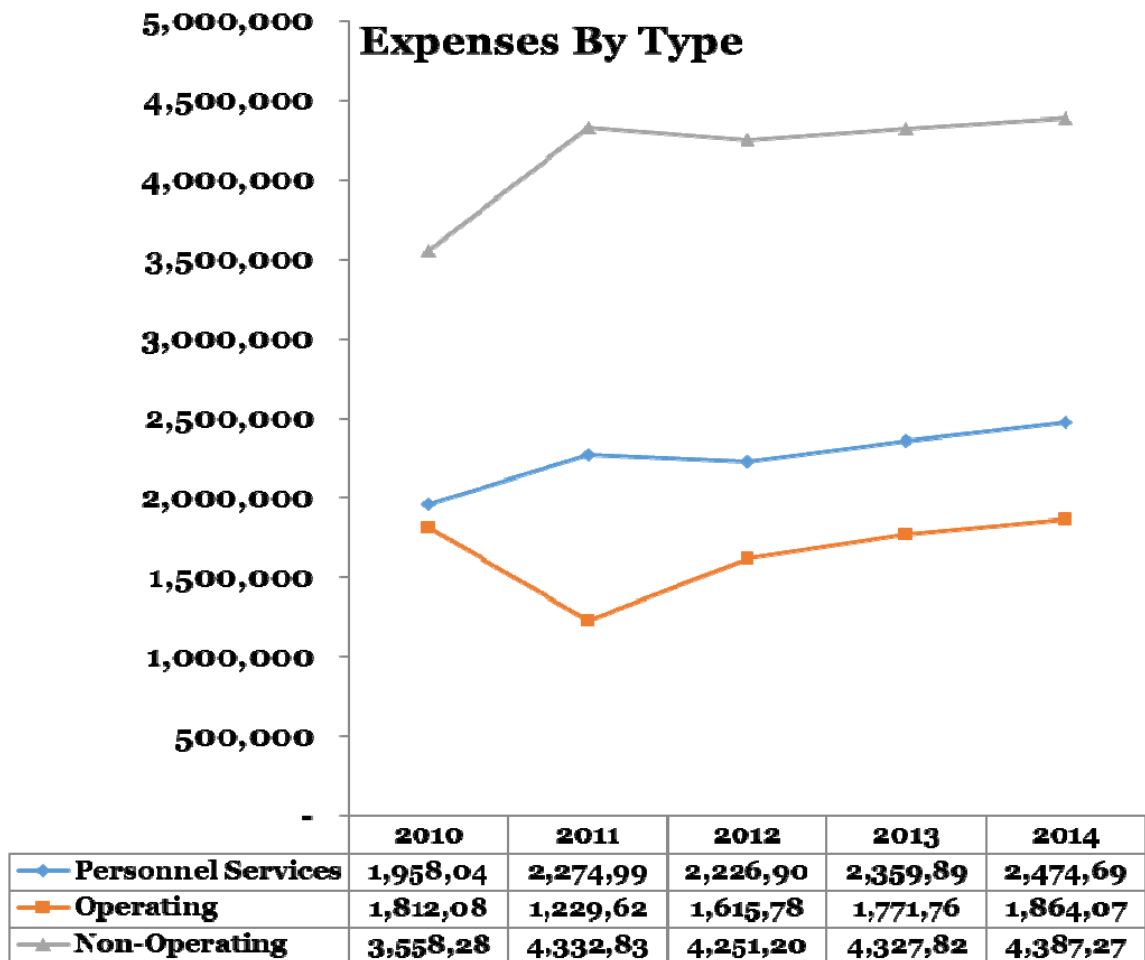
**Total (\$)**      11,315,179, 10,915,772, 10,246,502, 9,347,977, 9,522,071

**Operating and Non-Operating Expenses**

Total operating and non-operating expenses increased 5 percent, by \$207,119 during FY14. Personal Services increased by \$114,807 to \$2,474,698. A compensation and classification study was performed at the end of FY13, adopted by the Board in July 2013 and implemented during the year. Many vacancies in FY2013 were filled and the District Board adopted to pick up 75% of the employees increase in PERA as September of 2013. The District Board also approved a resolution to participate in Social Security (SS) and adopted a contribution plan (401(a)) for the individuals whom opted out.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

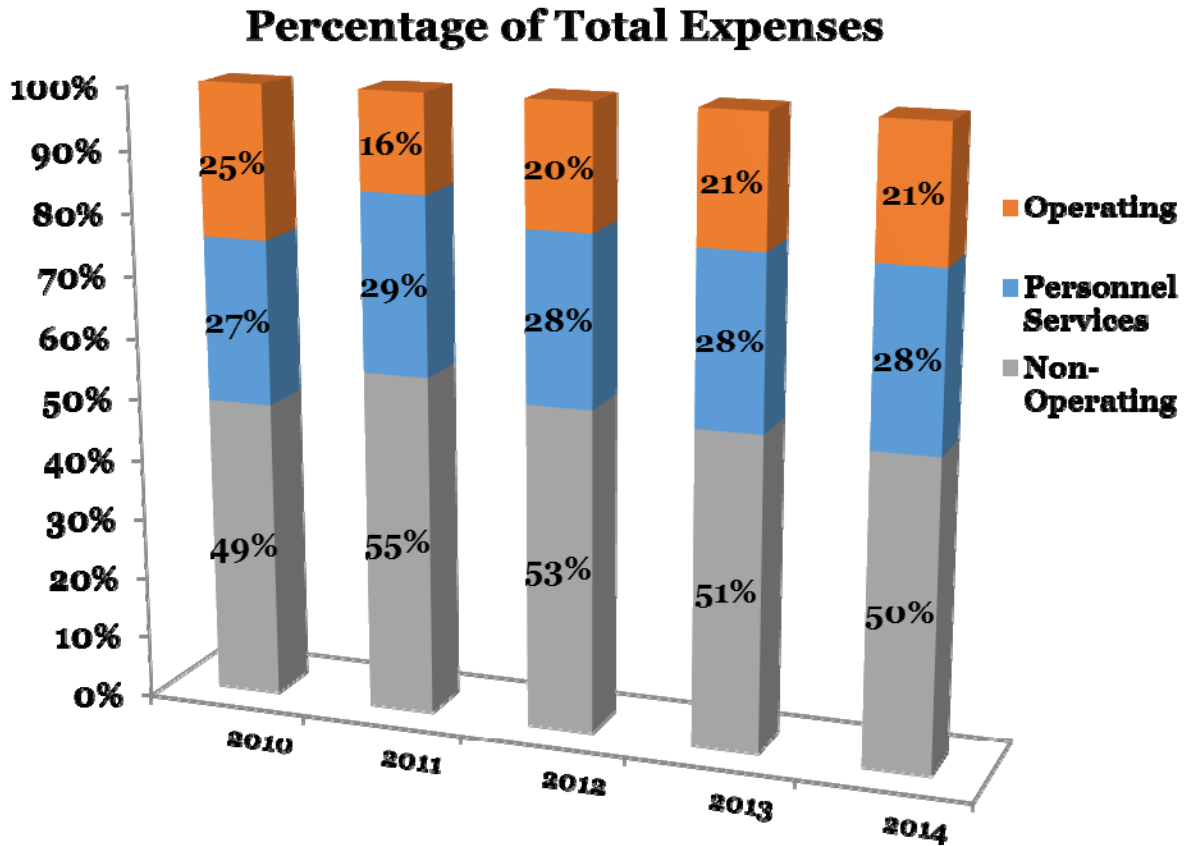
<b>Comparative Expenses by Type:</b>	<b>2013</b>		<b>2014</b>		<b>Difference</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Salaries and Payroll Related Expenses	2,359,891	57.1%	2,474,698	57.0%	114,807	4.9%
Vehicle Repairs and Maintenance	604,102	14.6%	619,802	14.3%	15,700	2.6%
Professional Services	186,358	4.5%	287,724	6.6%	101,366	54.4%
Maintenance, Repairs, Occupancy, and Utilities	91,137	2.2%	103,128	2.4%	11,991	13.2%
Insurance	89,556	2.2%	87,589	2.0%	(1,967)	-2.2%
Advertising	35,137	0.9%	70,706	1.6%	35,569	101.2%
Equipment Expense	133,986	3.2%	46,019	1.1%	(87,967)	-65.7%
Office Expenses	21,654	0.5%	31,510	0.7%	9,856	45.5%
Travel, Meetings, Travel, Lodging, and Per Diem	17,789	0.4%	29,655	0.7%	11,866	66.7%
Dues, Licenses and Fees	17,550	0.4%	14,233	0.3%	(3,317)	-18.9%
Training	1,358	0.0%	3,388	0.1%	2,030	149.5%
Uniforms	1,540	0.0%	-	0.0%	(1,540)	-100.0%
Depreciation	571,596	13.8%	570,321	13.1%	(1,275)	-0.2%
<b>Total Personnel and Operating Expenses</b>	<b>4,131,654</b>	<b>100%</b>	<b>4,338,773</b>	<b>100%</b>	<b>207,119</b>	<b>5.0%</b>



**Total (\$)**      7,328,409, 7,837,443, 8,093,887, 8,459,478, 7,726,044

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

Actual Fiscal year 2014 Expenditures totaled \$7,726,044. Personnel Services which consists of salaries and benefits comprised 28% of total expenditures, with operating expenses comprising 21%, and Non-operating at 51%. The largest expenditure category, 51% is related to non-RTD payments made to the Rio Metro RailRunner, City of Santa Fe and Los Alamos County for providing regional services approved by the District Board.



**Budgetary Analysis**

Budgeted federal grant revenue, member local match revenue, and gross receipts and other taxes revenues stayed the same from the original to Final budgets. Operating revenues and expenditures increased \$304,494 between original and final Budgets to encumber monies from 5311, this is also inclusive of the budget amendment for Fiscal Year (FY) 2014 so as to incorporate the Transportation Alternatives Program (TAP) Federal Funding Award. Gross receipt pass-thru to other entities also remained the same between Original and Final Budgets. The District appropriates for contingency annually within the budget with the goal of not exceeding those funds. The District uses budgetary control in its accounting system to ensure compliance with annual appropriated amounts. The Board of Directors may revise the budget from time to time upon request and resolution presented by staff. The District also reports any amendments to the New Mexico Department of Finance Administration for compliances and controls.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

**Capital Asset and Debt Administration**

The North Central Regional Transit District's investment in capital assets for its governmental type of activities as of June 30, 2014 amounts to \$6,338,336 (net of accumulated depreciation). This investment in capital assets includes land, buildings, buses, other rolling stock, and equipment and fixtures over \$5,000.

**Economic Condition, Outlook and Activity**

Gross Receipt Taxes have historically been a stable source of income over time and generated 73% of the Districts overall revenue for 2014. For the past ten years the District has been in existence it has seen a slight decline in GRT revenues ranging from 5% to 3% annually with this fiscal year seeing a slight increase of 1%.

The District is planning on the implementation of the five (5) year transit service plan in FY15 increasing service in its 10,000 square mile service area. The District will be required to make operational changes to accommodate the Board adopted plan. This will necessitate service level adjustments which will impact ridership and increase route coverage in the District service area.

The Board was informed that the District has been erroneously participating in and taking deductions for SS from employees as well as making a matching contribution. This issue came to light as a result of staff inquiring of the IRS for a tax exempt status letter. According to PERA and the Social Security Administration, a public employer which participates in a qualified retirement plan may only provide Social Security coverage to its employees through a modification to the State's Section 218 Agreement with the federal government. PERA constitutes a qualified retirement plan. Since the district is affiliated with PERA but not covered by any 218 modification agreement, the District should not have withheld SS taxes until it had entered into a Section 218 Agreement. The District was advised by the IRS and PERA to not discontinue withholding SS taxes until the situation had been resolved in accordance with appropriate procedures. The Board discussed and approved a resolution providing for an individual choice election to participate in Social Security and creation of a supplemental pension plan for those employees not participating in Social Security. The District staff also begun the task of correcting the Quarterly 941's from 2011, 2012 and 2013 and refiled with the Social Security administration the corrections for the employees that opted out for their W2's and the Districts W3's. The District received their Section 218 in October of 2014.

The District entered into negotiation with the union in April of 2013, and renegotiated the Collective Bargaining Agreement in June of 2014. While the District does not anticipate significant wage increases requests to this contract, the District anticipates increases in benefits involving PERA which the District anticipates picking up a portion of the employees contribution.

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Management Discussion and Analysis (Unaudited)  
For The Year Ended June 30, 2014**

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Glenda Aragon  
Finance Director  
North Central Regional  
Transit District  
1327 N. Riverside Dr.  
Española, NM 87532

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF NET POSITION  
For The Year Ended June 30, 2014, With Comparative Totals For 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,388,449	7,004,069
Investments	5,979,131	-
Receivables	610,888	576,189
Due from other governments	1,131,859	1,181,094
<b>Total Current Assets</b>	<u>9,110,327</u>	<u>8,761,352</u>
<b>Non-Current Assets</b>		
Other assets	50	408,217
<b>Capital Assets, net of accumulated depreciation</b>	<u>6,338,336</u>	<u>5,539,060</u>
<b>Total Assets</b>	<u>\$ 15,448,713</u>	<u>14,708,629</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 288,415	593,776
Due to other governments	1,057,362	1,065,906
Payroll related liabilities	138,131	90,692
Compensated absences - current portion	55,362	44,920
<b>Total Current Liabilities</b>	<u>1,539,270</u>	<u>1,795,294</u>
<b>Non-Current Liabilities</b>		
Compensated absences - non-current portion	45,296	36,753
<b>Total Liabilities</b>	<u>1,584,566</u>	<u>1,832,047</u>
<b>NET POSITION</b>		
<b>Unrestricted</b>		
Net investment in capital assets	6,338,336	5,539,060
Unrestricted, undesignated	4,445,294	4,299,345
Unrestricted, designated	2,380,518	2,338,178
<b>Restricted - Working Capital</b>	<u>700,000</u>	<u>700,000</u>
<b>Total Net Position</b>	<u>13,864,147</u>	<u>12,876,582</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 15,448,713</u>	<u>14,708,629</u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
For The Year Ended June 30, 2014, With Comparative Totals For 2013**

	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Charges for services (program revenues)	\$ <b>44,685</b>	17,925
Total operating revenues	<b>44,685</b>	17,925
<b>OPERATING EXPENSES</b>		
<b>Personnel Services</b>		
Salaries and wages	<b>1,761,419</b>	1,698,719
Payroll taxes	<b>99,380</b>	124,553
Employee benefits	<b>613,899</b>	536,619
Total personnel services	<b>2,474,698</b>	2,359,891
<b>Other Operating Expenses</b>		
Advertising	<b>70,706</b>	35,137
Dues, licenses and fees	<b>14,233</b>	17,550
Equipment expense	<b>46,019</b>	133,986
Insurance	<b>87,589</b>	89,556
Travel, meetings, travel, lodging, and per diem	<b>24,351</b>	17,789
Occupancy and utilities	<b>52,005</b>	45,111
Office supplies, postage and photocopies	<b>30,546</b>	20,776
Penalties and interest	-	62
Professional services	<b>287,724</b>	186,358
Repairs and maintenance	<b>23,850</b>	24,987
Telephone and internet	<b>27,273</b>	21,039
Training	<b>3,388</b>	1,358
Transit expenses	<b>5,304</b>	-
Uniforms	-	1,540
Vehicle repairs and maintenance	<b>619,802</b>	604,102
Miscellaneous expenses	<b>964</b>	816
Depreciation	<b>570,321</b>	571,596
Total other operating expenses	<b>1,864,075</b>	1,771,763
Total operating expenses	<b>4,338,773</b>	4,131,654
Operating income (loss)	<b>(4,294,088)</b>	(4,113,729)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Federal grants	<b>1,902,036</b>	1,957,128
State appropriation	<b>161,188</b>	-
Member local match	<b>450,000</b>	500,000
Gross receipts and other taxes	<b>6,941,122</b>	6,871,271
Gross receipts passed-thru to other entities	<b>(4,387,272)</b>	(4,327,824)
Gain/(loss) on disposal of assets	-	(4,734)
Advertising sales	<b>10,513</b>	-
Other revenue	<b>6,403</b>	3,010
Investment income	<b>3,584</b>	-
Interest income	<b>2,541</b>	3,377
Total non-operating revenues (expenses)	<b>5,090,115</b>	5,002,228
Change in net position	<b>796,027</b>	888,499
Net position, beginning of year	<b>12,876,582</b>	11,784,797
Restatement	<b>191,538</b>	203,286
Beginning net assets-as restated	<b>13,068,120</b>	11,988,083
Net position end of year	<b>\$ 13,864,147</b>	12,876,582

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers (charges for services)	\$ <b>44,685</b>	17,925
Cash paid to employees (personnel services)	<b>(2,408,274)</b>	(2,343,747)
Cash paid to suppliers (other operating expenses)	<b>(1,563,486)</b>	(1,437,116)
Net cash provided (used) by operating activities	<b>(3,927,075)</b>	(3,762,938)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Cash received from grants and agreements	<b>2,523,737</b>	2,457,128
Cash received from gross receipts and other taxes	<b>6,941,122</b>	6,871,271
Cash paid to other entities for pass-thru taxes	<b>(4,387,272)</b>	(4,327,824)
Net cash provided by (used for) noncapital financing activities	<b>5,077,587</b>	5,000,575
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash paid for acquisition of capital assets	<b>(1,178,059)</b>	(313,775)
Reclass from other assets to capital assets	<b>378,530</b>	-
Cash received from sale of capital assets	<b>6,403</b>	3,010
Net cash provided by (used for) capital and related financing activities	<b>(793,126)</b>	(310,765)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	<b>(5,979,131)</b>	-
Investment income	<b>3,584</b>	-
Interest income	<b>2,541</b>	3,377
Net cash provided by (used for) investing activities	<b>(5,973,006)</b>	3,377
Net increase (decrease) in cash and cash equivalents	<b>(5,615,620)</b>	930,249
Cash and cash equivalents, beginning of year	<b>7,004,069</b>	6,073,820
Cash and cash equivalents at end of year	<b>\$ 1,388,449</b>	7,004,069
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities</b>		
Operating income/(loss)	\$ <b>(4,294,088)</b>	(4,113,729)
Adjustments to reconcile increases in net position to cash provided by operating activities:		
Depreciation expense	<b>570,321</b>	571,596
(Gain)/loss on disposal of assets	-	(4,734)
Change in assets and liabilities:		
Other assets	<b>29,637</b>	(407,567)
Accounts receivable	<b>14,536</b>	(345,595)
Accounts payables	<b>(313,905)</b>	520,947
Payroll related liabilities	<b>47,439</b>	25,255
Compensated absences	<b>18,985</b>	(9,111)
Net cash used by operating activities	<b>\$ (3,927,075)</b>	(3,762,938)

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**NOTE 1—NATURE OF OPERATIONS**

**Purpose**

The NCRTD was established in September 2004, and operations of the NCRTD commenced in May 2005. The purpose of the 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**

The 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 the NCRTD's bylaws and State Statute Section 73-25-17.

The Board is composed of one Director from each participating member of the 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.

**Reporting Entity**

The financial statements of the NCRTD encompass the activities of the NCRTD and any applicable component units.

In evaluating how to define the NCRTD, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, there were no component units identified as needing to be disclosed or presented as part of the reporting entity.

**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.

**A— Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The NCRTD's activities are reported as business-type activities. As a result, the financial statements are comprised solely of proprietary fund financial statements. Proprietary statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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 the 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, the NCRTD began generating user fees and these amounts are expected to increase as the NCRTD continues to grow and develop, with the exception of if the board elects to suspend the user fees.

When both restricted and unrestricted resources are available for use, it is the NCRTD's policy to use applicable restricted resources first, then unrestricted resources as they are needed.

**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

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

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**

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

**D—Net Position**

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

1. Net investment in capital assets – Is intended to reflect the portion of net position which is 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. The NCRTD did not have any related debt during the year ended June 30, 2014.
2. Restricted net position – Consist of net position 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, undesignated, net position – Consist of assets, deferred outflows, less liabilities, deferred inflows, after the amount invested in capital assets and any restricted and designated net position have been subtracted.
4. Unrestricted, designated, net position – Consist of 25% of total revenue, which will serve as a cash reserve fund, in case the NCRTD ever needed significant immediate funds. The reserve can vary from year to year depending on the use of the reserve fund.

The statement of net position reports \$700,000 of net position restricted by enabling legislation. All the restricted net position 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 may have been made to the 2013 financial statements to conform to those used in 2014.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**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 the NCRTD’s financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**G—Cash and Cash Equivalents**

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

**H—Capital Assets**

Capital assets are defined by the NCRTD as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the NCRTD during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property and equipment of the NCRTD are depreciated using the straight line method over the following estimated useful lives:

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Perpetuity
Buildings and improvements	20 - 40 years
Leasehold improvements	20 years
Vehicles	5 - 7 years
Furniture, fixtures, & equipment	5 - 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, and are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the NCRTD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The NCRTD reclassifies restricted net position to unrestricted net position at that time. During the year ended June 30, 2014, the NCRTD did not receive any contributed capital assets.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**J—Compensated Absences**

The 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 the 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 for years 2014, and 2013.

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 June 30, 2014.

**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 the NCRTD has incurred an allowable expenditure under the terms of the grant agreement. Other grant revenue consists of grants from members of the NCRTD, to include monies for which the 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**

The NCRTD's budget is not 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 budget is presented on a 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 the NCRTD which is adopted by the Board. This budget includes expected receipts and expenditures of the Operating Fund. The 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 the NCRTD to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore, the NCRTD legally approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. The difference between non-GAAP budgetary basis financial statements and the GAAP basis financial statements is the following: the GAAP basis financial statements capitalize capital outlay amounts greater than \$5,000 on the statement of net position and the non-GAAP budget basis financial statements record capital outlay greater than \$5,000 as expenditures.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

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 the NCRTD as of June 30, 2014.

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.

New Mexico State law prohibits the NCRTD from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2014/2013 budget has been legally adopted.

**M—Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The NCRTD has no deferred outflows of resources during fiscal year 2014.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The NCRTD has no deferred outflows of resources during fiscal year 2014.

**NOTE 3—CASH AND CASH EQUIVALENTS**

Please see the Schedule of Cash and Investments and Schedule of Collateral in the supplementary information section of the audit report. Below are required disclosures regarding credit and interest risk.

The NCRTD’s cash balances consist of demand deposits. The NCRTD’s cash balances totaled the following as of June 30:

<b><u>Cash and Cash Equivalents</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Los Alamos National Bank - Checking	\$ <b>1,249,485</b>	6,865,173
Bank of America Espanola	<b>138,944</b>	138,867
Petty cash	<b>20</b>	<b>31</b>
Total	<b>\$ <u>1,388,449</u></b>	<b><u>7,004,071</u></b>

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the NCRTD’s deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of 50% of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
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As of June 30, 2014, all of the NCRTD's uninsured deposits were collateralized with securities held by pledging financial institution's trust department or agent in the NCRTD's name. Specific details of the collateralization of the NCRTD's deposits are included on the Schedule of Cash and Investments and Schedule of Collateral on as listed in the table of contents.

**NOTE 4—INVESTMENTS**

The NCRTD's investments totaled the following as of June 30:

<u>Investments</u>	<u>2014</u>	<u>2013</u>
CD's	\$ 4,077,152	-
State NM LGIP	1,901,979	-
Total	<u>\$ 5,979,131</u>	<u>-</u>

In compliance with Governmental Accounting Standards Board Statement No. 31, the NCRTD's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The NCRTD generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2014.

The NCRTD has the following invested in the State Treasurer Local Government Investment Pool:

<u>Financial Institution</u>	<u>Cost Basis</u>	<u>Market</u>	<u>Risk Rating</u>	
State of NM Local Government Investment Pool (LGIP)	\$ 1,901,979	1,901,979	AAAm	[48.6] day WAR (R); [116.20] day WAM (F)

New Mexico State Statutes authorize the creation of the short-term investment fund in the New Mexico State Treasury. The Statutes authorize the State Treasurer to pool monies received from local public bodies for investment purposes with public monies under control. The purpose of the local short-term fund is to provide a voluntary investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. The local short-term investment fund, along with other public monies in the State Treasurer's investment account, is invested in repurchase agreements secured at 102% by U.S. Government Securities. The State Treasurer has the responsibility to pledge collaterals at 102% of investment balances for the NCRTD. All investing is performed in accordance with State Statutes and the NCRTD's investment policy.

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 67-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government, or by its departments or agencies and are either direct obligations of the United States, or are backed by the full faith and credit of the United States government, or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

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The LGIP's portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investment to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates.

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The NCRTD has no investment policy that would further limit its investment choices. As of June 30, 2014, the NCRTD's investment in the New MexiGROW Local Government Investment Pool (LGIP) was rated AAAM by Standard & Poor's. The independent auditor's report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditor's report on compliance and internal controls are available from New Mexico State Treasurer, 2019 Galisteo Street, Bldg K, Santa Fe, New Mexico 87504, upon written request.

*Credit Risk LGIP* – With respect to credit risk, the LGIP, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

*Concentration of Risk* – GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

*Foreign Currency Risk* – GASB Statement No. 40 defines interest rate risk that interest rate variation may adversely affect the fair value of an investment. The NCRTD is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investments pools or certificates of deposit are dominated in a foreign currency.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the NCRTD. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Specific details of the collateralization of the NCRTD's deposits are included on the Schedule of Collateral as listed in the table of contents.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
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As of June 30, 2014, NCRTD's bank and investment balances of \$7,367,580 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		<b>3,101,823</b>
	\$	<b><u>3,101,823</u></b>

**NOTE 5—RECEIVABLES**

Type		2014	2013
AR - customers	\$	<b>162,256</b>	-
NM DOT federal grant receivable		<b>448,632</b>	576,189
Total	\$	<b><u>610,888</u></b>	<b><u>576,189</u></b>

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, 2014.

**NOTE 6—DUE TO/FROM OTHER GOVERNMENTS**

Amounts due to other governments consisted of the following at June 30,:

Entity	Purpose		2014	2013
Rio Metro RTD	Gross receipts pass-thru	\$	<b>344,402</b>	517,811
Los Alamos County	Transit services provided		<b>638,137</b>	548,095
Taos County	Gross receipts pass-thru		<b>74,823</b>	-
		\$	<b><u>1,057,362</u></b>	<b><u>1,065,906</u></b>

Amounts due from other governments consisted of the following at June 30,:

Entity	Purpose		2014	2013
Los Alamos County	Transit services provided	\$	<b>165,523</b>	204,849
Taos County	Gross receipts pass-thru		<b>182,255</b>	128,912
Rio Arriba	Gross receipts pass-thru		<b>95,276</b>	129,834
Santa Fe County	Gross receipts pass-thru		<b>688,805</b>	717,499
		\$	<b><u>1,131,859</u></b>	<b><u>1,181,094</u></b>

**NOTE 7—ACCRUED LIABILITIES**

Accrued liabilities at June 30, consist of the following:

Type		2014	2013
Accrued payroll	\$	<b>55,989</b>	45,808
Payroll related taxes and deductions		<b>82,142</b>	44,884
Total	\$	<b><u>138,131</u></b>	<b><u>90,692</u></b>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**NOTE 8—PERA PENSION PLAN**

**A—Plan Description**

Substantially all of the 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](http://www.pera.state.nm.us).

**B—Funding Policy**

The NCRTD was contributes to the Municipal Plan #2. Under Municipal Plan #2, state statute requires that plan members contribute 10.65% of their gross salary. The NCRTD is required to contribute 9.15% of the gross covered salary. In October 2013, under the municipal employer "option", the NCRTD Board of Directors passed a resolution to reduce the plan members' share to 9.52% and increase the NCRTD's share to 10.28%. The contribution requirements of plan members and the NCRTD are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The NCRTD's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$152,857, \$132,721, and \$132,909, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 9—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

**A—Plan Description**

The 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.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**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](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. During the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary.

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.250% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The NCRTD's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$30,250, \$27,645, and \$25,527, respectively, which equal the required contributions for each year.

**NOTE 10 – GOVERNMENTAL MONEY PURCHASE PLAN AND TRUST**

During FY14, the NCRTD elected to open a Governmental Money Purchase Plan and Trust (401(a)). This plan services as a retirement plan for employees who wish to opt-out of Social Security, and who meet the requirements to be employees who perform services as members of a coverage group (as defined in Section 218(d)(4) of the Act) designated as Part A of the Public Employees Retirement Association of New Mexico. The NCRTD filed a Section 218 Modification in order to be able to allow eligible employees to opt-out of Social Security coverage.

The NCRTD approved a resolution on August 2, 2013, providing for an individual choice election of eligible employees. Under the 401(a), the normal retirement age is 59 ½ years. The eligible employee and employer contribute 4.2% and 6.2% respectively, every pay period. The employees are allowed to make additional after tax contributions.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

**NOTE 11—PROPERTY, EQUIPMENT AND DEPRECIATION**

Property and equipment are summarized as follows:

<b>Business Type Activities</b>	<b>Balance 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance 2014</b>
Capital assets not being depreciated:					
Land	\$ 1,228,011	-	-	-	1,228,011
Total capital assets not being depreciated	<u>1,228,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,228,011</u>
Capital assets being depreciated:					
Vehicles	2,542,344	719,845	(165,596)	(29,637)	3,066,956
Furniture, fixtures, & equipment	110,088	359,810	-	-	469,898
Buildings and improvements	3,152,306	98,404	-	29,648	3,280,358
Total capital assets being depreciated	<u>5,804,738</u>	<u>1,178,059</u>	<u>(165,596)</u>	<u>11</u>	<u>6,817,212</u>
<b>Less accumulated depreciation for:</b>					
Vehicles	(1,334,777)	(451,779)	165,596	193,550	(1,427,410)
Furniture, fixtures, & equipment	(41,605)	(35,366)	-	82	(76,889)
Buildings and improvements	(117,307)	(83,176)	-	(2,105)	(202,588)
<b>Total accumulated depreciation</b>	<u>(1,493,689)</u>	<u>(570,321)</u>	<u>165,596</u>	<u>191,527</u>	<u>(1,706,887)</u>
Total capital assets being depreciated	<u>4,311,049</u>	<u>607,738</u>	<u>-</u>	<u>191,538</u>	<u>5,110,325</u>
Capital assets, net	<u>\$ 5,539,060</u>	<u>607,738</u>	<u>-</u>	<u>191,538</u>	<u>6,338,336</u>

For the years ended June 30, 2014 and 2013, depreciation expense was \$570,321 and \$571,596, respectively. As of the year ended June 30, 2014, the NCRTD had no idle equipment. The adjustments are related to a restatement. See Note 20 for more detail.

**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 12—CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	<b>Balance 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2014</b>	<b>Due Within One Year</b>
Compensated absences	\$ 81,673	64,814	(45,829)	100,658	55,362

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2014 or 2013.

**NOTE 13—GROSS RECEIPTS TAX REVENUE**

Starting in 2009, the NCRTD began collecting 1/8<sup>th</sup> of a percent of gross receipts tax (GRT) in four counties, which was approved by the voters of those counties in 2008. The counties are made up of Los Alamos, Rio Arriba, Santa Fe, and Taos. The GRT is applied and collected in the four local counties.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

The businesses in each county collect the tax and remit it to the New Mexico State Tax and Revenue Department (the Department). Then, the Department sends it to the NCRTD via the counties. The tax sunsets in 2023; therefore a district-wide election will need to be held in order to renew the tax.

The NCRTD also has an agreement with Rio Metro Regional Transit District regarding sharing a portion of the taxes collects out of Santa Fe County. It is unknown is this agreement will be renegotiated in 2023 when the tax expires. The funds that are paid to Santa Fe Trails and Los Alamos County are subject to annual review of the regional services they provide, by the Board of Directors. If any of the services were to be modified by the two entities, it could impact the amount of funding they receive for reimbursements. Any modifications are required to be reviewed by the staff at the NCRTD and subsequently approved by the NCRTD’s Board of Directors.

The NCRTD collects the GRT and passes 63% of the collection on to the respective entities that provide regional services as noted above. The NCRTD then keeps the remaining 37%, which is utilized for the NCRTD provided services. Any excess revenue is place into the NCRTD’s cash reserves. The following table shows the amount of the collection and amount passed through at June 30;

	<b>2014</b>	<b>2013</b>
Gross receipts and other taxes	\$ <b>6,941,122</b>	6,871,271
Gross receipts passed-thru to other entities	<b>4,387,272</b>	4,327,824
Net GRT	<b>\$ 2,553,850</b>	2,543,447

**NOTE 14—RISK MANAGEMENT**

The 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 15—GRANTS**

The 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 16—LEASE COMMITMENTS**

The NCRTD entered into a lease beginning November 17, 2008 for office space. The term of the lease is \$1,900 a month. Rental expenses under the lease in 2014 were \$7,803 and were \$3,177 in 2013. The NCRTD also entered into a lease with Taos Ski Valley, Inc. on October 1, 2011, for a radio tower lease. The term of the lease is \$450 a month.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

The future remaining lease payments under these agreements are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2015	\$ 5,400
2016	2,250
2017	-
2018	-
2019	-
Thereafter	-
Total	<u>\$ 7,650</u>

**NOTE 17—RESTRICTED NET POSITION**

On March 20, 2007, an agreement between the NCRTD and Los Alamos County was reached where funding in the amount of \$1,600,000 was awarded to the 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, the 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, 2014, the revolving fund balance was \$700,000 and at June 30, 2013, the revolving fund balance was \$700,000. These amounts are presented as restricted net position on the statement of net position.

**NOTE 18—RELATED PARTY TRANSACTIONS**

The by-laws of the 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 the 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 19 – EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are issued. The NCRTD recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The NCRTD's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before financial statements are available to be issued. The NCRTD has evaluated subsequent events through November 21, 2014, which is the date the financial statements were available to be issued.

**NOTE 20 – RESTATEMENT – CHANGE IN ACCOUNTING ESTIMATE**

An adjustment was made due to a change in accounting estimate related to the estimated useful lives of vehicles. The NCRTD determined that they should following the guidelines set by FTA and NMDOT regulations. In prior years, the accumulated depreciation and depreciation was calculated using an individual useful life across all vehicles.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**  
**Notes To Financial Statements**  
**For The Year Ended June 30, 2014, With Comparative Totals For 2013**

As a result of the change in estimate of useful lives the following restatement was made at June 30, 2014:

To adjust the useful life amount for capital assets, per change in estimate	\$ <u>191,538</u>
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**NOTE 21 – IMPLEMENTATION OF NEW GASB STANDARDS**

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits. The Public Employees Retirement Association (PERA) administers the pension for the City. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees.

**GASB 67 Financial Reporting for Pension Plans**

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA’s financial report. GASB 67 will be implemented in FY 2014 by PERA.

**GASB 68 Accounting and Financial Reporting for Pensions**

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

**PERA’s Current Implementation and Timeline**

Implementation GASB 67

GASB 67 will require the net pension liability to be disclosed in PERA’s FY 2014 financial report. The total “collective” pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

PERA plans to separately issue an audited report, referred to as the “Schedule of Employer Allocations” that will allocate the total pension liability *by employer*. The report will also include other required information that will be used by each employer participant for disclosure in each employer’s FY 2015 financial reports.

*Anticipated process and timeline is as follows:*

1. The “Schedule of Employer Allocations” is provided to PERA’s external auditor in January of 2015.
2. PERA’s external auditor’s will audit the “Schedule of Employer Allocations” in February of 2015 and submit that report to the State Auditor’s Office for review in March of 2015. *(See also 2.2.2.10 NMAC Sections CC and DD)*
3. The “Schedule of Employer Allocations” will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year end.

In FY 15, the NCRTD will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL  
For The Year Ended June 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues</b>				
<b>Revenue</b>				
Charges for services	\$ -	-	<b>44,685</b>	44,685
<b>Operating Expenses</b>				
Personnel services	2,570,043	2,570,043	<b>2,474,698</b>	95,345
Other operating expenses	1,660,047	1,747,547	<b>1,293,754</b>	453,793
Capital outlay	859,000	1,075,994	<b>1,178,059</b>	(102,065)
Total operating expenses	<u>5,089,090</u>	<u>5,393,584</u>	<u><b>4,946,511</b></u>	<u>447,073</u>
Operating income (loss)	<u>(5,089,090)</u>	<u>(5,393,584)</u>	<u><b>(4,901,826)</b></u>	<u>491,758</u>
<b>Nonoperating Revenues (Expenses)</b>				
Federal grants	1,951,199	2,198,429	<b>1,902,036</b>	(296,393)
State appropriation	170,000	170,000	<b>161,188</b>	(8,812)
Member local match	450,000	450,000	<b>450,000</b>	-
Gross receipts and other taxes	6,720,765	6,757,529	<b>6,941,122</b>	183,593
Gross receipts pass-thru to other entities	(4,242,874)	(4,242,874)	<b>(4,387,272)</b>	(144,398)
Investment and interest income	-	-	<b>6,125</b>	6,125
Other revenue	40,000	60,500	<b>16,916</b>	(43,584)
Total nonoperating revenues (expenses)	<u>5,089,090</u>	<u>5,393,584</u>	<u><b>5,090,115</b></u>	<u>303,469</u>
Income (loss)	<u>5,089,090</u>	<u>5,393,584</u>	<u><b>5,090,115</b></u>	<u>303,469</u>
Change in net position	<u>-</u>	<u>-</u>	<u><b>188,289</b></u>	<u>795,227</u>
Net position, beginning of year		<u>12,876,582</u>	<u><b>12,876,582</b></u>	
Net position, end of year		\$ <u>-</u>	\$ <u><b>13,064,871</b></u>	

**Reconciliation to Statement of Revenue, Expenses and Changes in Net Position**

Change in net position-budget basis	\$ <b>188,289</b>
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	<b>(570,321)</b>
Capital outlay that was capitalized on the statement of net position but not on non-GAAP Budget Basis	<b>1,178,059</b>
Gain/(loss) on sale of capital asset, taken into account on balance sheet but was not on non-GAAP Budget Basis	-
Change in net position-business type activity - full accrual basis	\$ <u><b>796,027</b></u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>			
<b>Direct from New Mexico Department of Transportation</b>			
5311 Grant - Capital Funding	20.509 *	N/A	\$ 9,905
5309 Grant - Vehicle Scheduling, Reporting and Monitoring Vehicle Locations	20.515 *	N/A	<u>272,000</u>
Total Direct U.S. Department of Transportation			<u>281,905</u>
<b>Passed through New Mexico Department of Transportation</b>			
5311 Grant - Formula Grants for Other Than Urbanized Areas	20.509 *	M01166 & M01252	1,241,178
5316 Grant - Transportation Assistance	20.516	M01167 & M01252	232,609
5304 Grant - Service Plan Update & Design	20.515 *	M01026	<u>146,344</u>
Total Passed Through U.S. Department of Transportation			<u>1,620,131</u>
Total Expenditures of Federal Awards			<u>\$ 1,902,036</u>

\* = Denotes major program

**Reconciliation of federal expenditures to federal revenues:**

Federal revenue per Statement of Activities	\$ 1,902,036
Federal awards expended per SEFA	<u>1,902,036</u>
Difference	<u>\$ -</u>

**SELECTED DISCLOSURES:**

**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.

**2 - Non-Cash Federal Assistance**

No non-cash federal assistance was received during the year ended June 30, 2014.

**3 - Subrecipients**

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

**4 - Federal Insurance**

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF CASH AND INVESTMENTS  
For The Year Ended June 30, 2014**

Financial Institution	Account Type	Reconciled Balance	Balance Per Bank	Treasury Obligations or FDIC Coverage		Total Uninsured	Required Collateral Coverage	Collateral Requirement	Collateral Pledged	Over/ (Under) Collateralized
				FDIC Coverage	Total Uninsured					
Petty cash	Petty cash	\$ 19								
Los Alamos National Bank	Checking	1,249,486	1,446,891	250,000		1,196,891	50%	598,446	1,446,891	848,446
Bank of America	Checking	138,944	138,944	138,944		-	50%	-	-	-
Total cash and cash equivalents		\$ 1,388,449	1,585,835	388,944		1,196,891		598,446	1,446,891	848,446

Financial Institution	Account Type	Fair Market Value	Cost Basis	Treasury Obligations or FDIC Coverage		Total Uninsured	Required Collateral Coverage	Collateral Requirement	Collateral Pledged	Over/ (Under) Collateralized
				FDIC Coverage	Total Uninsured					
Los Alamos National Bank										
016485130/40	Certificate of deposit	\$ 250,123	250,000	250,000		123	50%	62	250,000	249,938
0161485131	Certificate of deposit	250,058	250,000	250,000		58	50%	29	250,000	249,971
0161485132	Certificate of deposit	250,072	250,000	250,000		72	50%	36	250,000	249,964
0161485133	Certificate of deposit	250,072	250,000	250,000		72	50%	36	250,000	249,964
0161485134	Certificate of deposit	250,086	250,000	250,000		86	50%	43	250,000	249,957
0161485135	Certificate of deposit	250,086	250,000	250,000		86	50%	43	250,000	249,957
0161485136	Certificate of deposit	250,101	250,000	250,000		101	50%	50	250,000	249,950
0161485137	Certificate of deposit	250,101	250,000	250,000		101	50%	50	250,000	249,950
0161485138	Certificate of deposit	250,115	250,000	250,000		115	50%	58	250,000	249,942
0161485139	Certificate of deposit	574,463	574,199	574,199		264	50%	132	250,000	249,868
Total Los Alamos National Bank		2,825,277	2,824,199	2,824,199		1,078		539	2,500,000	2,499,461
State Employees Credit Union										
3002230840	Certificate of deposit	250,464	250,000	250,000		464	50%	232	250,000	249,768
3002230820	Savings	50	-	-		50	0%	-	-	-
Total State Employees Credit Union		250,514	250,000	250,000		514		232	250,000	249,768
Washington Federal - 362-270034-6										
	Certificate of deposit	250,329	250,000	250,000		329	50%	164	250,000	249,836
Guadalupe Credit Union - cert #253871										
	Certificate of deposit	250,287	250,000	250,000		287	50%	143	250,000	249,857
US NM Federal Credit Union - cert # 0100										
	Certificate of deposit	250,624	250,000	250,000		624	50%	312	250,000	249,688
Bank of New Mexico - 2242										
	Certificate of deposit	250,122	250,000	250,000		122	50%	61	250,000	249,939
Total certificate of deposits		4,077,152	4,074,199	4,074,199		2,953		1,452	3,750,000	3,748,548
State of NM Local Government Investment Pool (LGIP)										
	Investment Pool	1,901,979	1,901,979	-		1,901,979	102%	1,940,018	1,940,018	-
Total State of NM Local Government Investment Pool		1,901,979	1,901,979	-		1,901,979		1,452	3,750,000	3,748,548
Total investments		\$ 5,979,131	5,976,178	4,074,199		1,904,932		2,903	7,500,000	7,497,097

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF COLLATERAL  
For The Year Ended June 30, 2014**

<u>Bank</u>	<u>CUSIP</u>	<u>Current Shares or Face Value</u>	<u>Coupon or Rate</u>	<u>Market Value</u>	<u>Maturity Date</u>
Los Alamos National Bank					
FHLB Dallas: FNMA One-Time Call	31398A3G5	\$ 650,000	1.500%	\$ 651,678	9/8/2014
Not Designated: FNMA One-Time Call	31398A3G5	350,000	1.500%	350,904	9/8/2014
Not Designated: FHLB Bullet	313370JS8	1,750,000	1.375%	1,754,361	9/12/2014
FHLB Dallas: FHLB Bullet	313370TW8	2,500,000	2.000%	2,577,059	9/9/2016
Not Designated: FHLB Bullet	313370TW8	750,000	2.000%	773,118	9/9/2016
FHLB Dallas: FHLB Bullet	313370TW8	750,000	2.000%	773,118	9/9/2016
FHLB Dallas: FHLB Bullet	313370TW8	500,000	2.000%	515,412	9/9/2016
Not Designated: FHLMC Callable	3134G32D1	500,000	0.625%	498,977	9/20/2016
		\$ 7,750,000		\$ 7,894,627	



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS  
For The Year Ended June 30, 2014**

<u>Item #</u>	<u>Name of Entity</u>	<u>Type of Agreement JPA/MOA/ MOU</u>	<u>Description of Services</u>	<u>Type of Funds</u>	<u>Beginning Date</u>	<u>End Date</u>	<u>Total Estimated Project Amount and Amount Applicable to Agency</u>	<u>Amount Contributed by NCRTD During Current Fiscal Year</u>	<u>Contribution of Working Capital to NCRTD</u>	<u>Termination Clause</u>
1.	NMDOT	MOA	Vehicle Scheduling, Reporting & Monitoring Vehicle Locations	Federal Grant - 5309	6/10/2013	9/30/2014	\$ 340,000	\$ 68,000	\$ -	Termination for Cause by either Party
						Federal Portion	272,000			
						Local Portion	68,000			
2.	NMDOT	MOA	Federal Assistance for Transportation services to low income individuals	Federal Grant - 5316	10/1/2013	9/30/2014		232,346 (1)	-	Termination for Cause by NMDOT
						Federal Portion	232,346			
						Local Portion	232,346			
3.	NMDOT	MOA	Federal Assistance for Public Transportation in Rural and Non-Urbanized Areas	Federal Grant - 5311	10/1/2013	9/30/2014		1,035,076 (1)	-	Termination for Cause by NMDOT
						Federal 5311	1,483,068			
						Local Match	1,035,076			
4.	NMDOT	MOA	Federal Assistance for Public Transportation in Rural and Non-Urbanized Areas/Capital Outlay	Federal Grant - 5311	10/1/2012	9/30/2014		-	-	Termination for Cause by NMDOT
						Federal Portion	225,000	9,905		
						Local Portion	225,000			
5.	NMDOT	MOA	Transit Service Plan	Federal Grant - 5304	3/26/2013	6/30/2014		28,774	-	Termination for Cause by NMDOT
						Federal Portion	120,000			
						Local Portion	30,000			
6.	NMDOT	MOA	State Planning & Research	Federal Grant - 5304	11/9/2010	9/30/2014		31,250	-	Termination for Cause by NMDOT
						Federal Portion	31,250			
						Local Portion	31,250			
7.	NMDOT	Cooperative Project Agreement	Transportation Alternatives Program/ADA Upgrades to Shelters	Federal Grant	4/11/2012	9/30/2016		-	-	Termination for Cause by NMDOT
						Federal Portion	157,437			
						Local Portion	26,829			
8.	Rio Metro RTD	Intergovernmental Agreement	Commuter Rail Service	Santa Fe County Gross Receipts Tax	4/29/2009	Indefinite	Dependent Upon Tax Receipts Collections	-	-	Upon Continuation of GRT from Santa Fe County
9.	County of Los Alamos	MOU	To Provide Local Match for Federal Grants	Los Alamos Contribution	7/1/2013	6/30/2014	450,000	-	-	Upon 30-Day Written Notice by Either Party
						Total	\$ 4,619,602	\$ 1,405,351	\$ -	

(1) Expenditures from federal fiscal year (10-1-2013 thru 9-30-2014).



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the North Central Regional Transit District (NCRTD) of the as of and for the year ended June 30, 2014, and the budget comparison schedule for the year ended June 30, 2014 presented as supplementary information, and have issued our report thereon dated November, 21, 2014.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 21, 2014



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the North Central Regional Transit District’s (NCRTD) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the NCRTD’s major federal programs for the year ended June 30, 2014. The NCRTD’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the NCRTD’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the NCRTD’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the NCRTD, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of the NCRTD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the NCRTD’s internal control over compliance with

the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the NCRTD's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 21, 2014

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? \_\_\_ Yes X No

Significant deficiencies identified that are  
Not considered to be material weaknesses? \_\_\_ Yes X No

Non-compliance material to financial statements noted? \_\_\_ Yes X No

Federal Awards

Internal Control

Material weaknesses identified? \_\_\_ Yes X No

Significant deficiencies identified that are  
Not considered to be material weaknesses? \_\_\_ Yes X No

Type of auditor’s report issued on major programs Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of Circular A-133? \_\_\_ Yes X No

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

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

Auditee qualified as low-risk Auditee? No

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

<b>Reference # Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Type of Finding</b>
<b>Prior Year Findings</b>		
<b>2008-004</b> CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT	<b>RESOLVED</b>	<b>A</b>
<b>Current Year Findings</b>		
<b>NONE</b>		

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

**PRIOR YEAR FINDINGS**

**NONE**

**CURRENT YEAR FINDINGS**

**NONE**

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT**

**Exit Conference**

**For the Year Ended June 30, 2014**

An exit conference was held in a closed session on November 21, 2014, at NCRTD's offices in Española, New Mexico. In attendance were the following:

Representing the NCRTD:

Anthony Mortillaro  
Glenda Aragon  
Dalene Lucero  
Miguel Chavez  
Pete Sheehey  
Tim Vigil  
Leandro Cordova

Executive Director  
Finance Director  
Administrative Assistant  
County of Santa Fe  
Los Alamos County Councilor  
Pojoaque Tribe – Chair of Finance Subcommittee  
County of Taos

Representing Hinkle + Landers, PC:

Farley Vener  
Katelyn Constantin

President & Managing Shareholder  
Audit Manager

**FINANCIAL STATEMENTS**

The financial statements of NCRTD as of June 30, 2014, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.