



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

NORTH CENTRAL REGIONAL
TRANSIT DISTRICT

FINANCIAL STATEMENTS

For the year ended June 30, 2011
With Comparative for 2010

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

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

**OFFICIAL ROSTER
As of June 30, 2011**

Board of Directors

Board Member	Title	Representing
Rosemary Romero, Chair	Councilor	City of Santa Fe
Robert J. Seeds, Vice Chair	Councilor	City of Española
Mike Wismer, Secretary	Councilor	County of Los Alamos
Barney Trujillo	Commissioner	County of Rio Arriba
Robert Anaya	Commissioner	County of Santa Fe
Daniel R. Barrone	Commissioner	County of Taos
Virgil Cata	1st Lt. Governor	Pueblo of Ohkay Owingeh
Tim Vigil		Pueblo of Pojoaque
John Shije	Sheriff	Pueblo of Santa Clara
Raymond Martinez		Pueblo of San Ildefonso
Charles Dorame	Governor	Pueblo of Tesuque

Administration

Name	Title
Anthony Mortillaro	Interim Executive Director



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2011, as listed in the table of contents. We have also audited the schedule of revenues and expenses and changes in net assets —budget (non-GAAP budget basis) and actual presented as supplemental information for the year ended June 30, 2011, as listed in the table of contents. These financial statements and budget comparison schedule are the responsibility of the NCRTD's management. Our responsibility is to express opinions on these financial statements and budget comparison schedule based on our audit. The prior year summarized comparative information has been derived from the NCRTD's June 30, 2010 financial statements and in our report dated September 19, 2011, we expressed unqualified opinions on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the NCRTD as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedule referred to above presents fairly, in all material respects, the budget comparison of the NCRTD for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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 should be considered in assessing the results of our audit.

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

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
November 22, 2011

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET ASSETS
As of June 30, 2011 With Comparative Totals For 2010

ASSETS	2011	2010
Current Assets		
Cash and cash equivalents	\$ 5,581,059	3,708,648
Receivables	1,624,622	1,520,591
Total Current Assets	7,205,681	5,229,239
Non-Current Assets		
Other assets	650	650
Capital Assets, net of accumulated depreciation		
Total Assets	\$ 11,057,868	8,071,658
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 294,332	276,601
Due to other governments	893,393	1,036,398
Payroll related liabilities	152,884	116,933
Funds held for others	1,829	1,194
Compensated absences - current portion	45,786	47,673
Total Current Liabilities	1,388,224	1,478,799
Non-Current Liabilities		
Compensated absences - non-current portion	37,462	39,006
Total Liabilities	1,425,686	1,517,805
NET ASSETS		
Unrestricted		
Invested in capital assets	3,851,537	2,841,769
Unrestricted, undesignated	2,369,433	183,289
Unrestricted, designated	2,711,212	2,828,795
Restricted - Working Capital	700,000	700,000
Total Net Assets	9,632,182	6,553,853
Total Liabilities and Net Assets	\$ 11,057,868	8,071,658

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011 With Comparative Totals For 2010

	2011	2010
OPERATING REVENUES		
Charges for services (program revenues)	\$ 25,965	15,484
Total operating revenues	25,965	15,484
OPERATING EXPENSES		
Personnel Services		
Salaries and wages	1,611,147	1,389,630
Payroll taxes	126,347	83,796
Employee benefits	537,497	484,615
Total Personnel Services	2,274,991	1,958,041
Other Operating Expenses		
Advertising	101,363	49,486
Dues, licenses and fees	5,952	5,316
Equipment expense	61,131	181,142
Insurance	73,573	49,254
Travel, meetings, travel, lodging, and per diem	23,885	27,969
Occupancy and utilities	35,578	34,650
Office supplies, postage and photocopies	33,472	21,031
Penalties and interest	1,450	107
Professional services	19,922	350,456
Repairs and maintenance	74,661	37,307
Telephone and internet	30,036	27,677
Training	5,793	3,927
Transit expenses	-	377,946
Uniforms	8,370	7,072
Vehicle repairs and maintenance	339,570	278,168
Miscellaneous expenses	2,949	-
Depreciation	411,917	360,575
Total other operating expenses	1,229,622	1,812,083
Total Operating Expenses	3,504,613	3,770,124
Operating Income (Loss)	(3,478,648)	(3,754,640)
NON-OPERATING REVENUES (EXPENSES)		
Federal grants	1,798,955	3,271,041
State and local grants	-	15,000
Member local match	1,540,000	896,197
Gross receipts and other taxes	7,477,175	7,112,057
Gross receipts passed-thru to other entities	(4,332,830)	(3,558,285)
Gain/Loss on disposal of assets	70,925	-
Interest income	2,752	5,400
Total non-operating revenues (expenses)	6,556,977	7,741,410
Change in net assets	3,078,329	3,986,770
Net assets, beginning of year	6,553,853	2,616,480
Restatement	-	(49,397)
Beginning net assets-as restated	6,553,853	2,567,083
Net assets, end of year	\$ 9,632,182	6,553,853

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011 With Comparative Totals For 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers (charges for services)	\$ 25,965	15,484
Cash paid to employees (personnel services)	(2,242,471)	(1,906,982)
Cash paid to suppliers (other operating expenses)	(942,344)	(1,205,702)
Net cash provided (used) by operating activities	(3,158,850)	(3,097,200)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from grants and agreements	3,234,924	2,862,525
Cash received from gross receipts and other taxes	7,477,175	7,112,057
Cash paid to other entities for pass-thru taxes	(4,332,830)	(2,521,887)
Net cash provided by (used for) noncapital financing activities	6,379,269	7,452,695
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for acquisition of capital assets	(1,350,760)	(1,956,621)
Net cash provided by (used for) capital and related financing activities	(1,350,760)	(1,956,621)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from interest on cash and cash equivalents	2,752	5,400
Net cash provided by (used for) investing activities	2,752	5,400
Net increase (decrease) in cash and cash equivalents	1,872,411	2,404,274
Cash and cash equivalents, beginning of year	3,708,648	1,304,374
Cash and cash equivalents at end of year	\$ 5,581,059	3,708,648

Reconciliation of operating loss to net cash used in operating activities

Operating income/(loss)	\$ (3,478,648)	(3,754,640)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation expense	411,917	360,575
Change in assets and liabilities:		
Other assets	-	(50)
Accounts payables	(125,274)	244,662
Payroll related liabilities	35,951	38,573
Funds held for others	635	1,194
Compensated absences	(3,431)	12,486
Net cash used by operating activities	\$ (3,158,850)	(3,097,200)

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

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
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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 Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, 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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

The NCRTD applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The NCRTD has elected not to apply FASB statements and interpretations issued after November 30, 1989.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

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 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 Assets

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

1. Invested in Capital Assets (net of related debt) – Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The NCRTD did not have any related debt during the year ended June 30, 2011.
2. Restricted net assets – Consist of net assets with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.
3. Unrestricted, undesignated, net assets – Consist of assets less liabilities after the amount invested in capital assets and any restricted and designated net assets have been subtracted.
4. Unrestricted, designated, net assets – 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 assets reports \$700,000 of net assets restricted by enabling legislation. All the restricted net assets are considered restricted by enabling legislation under the various grant and contract agreements. The enabling legislation has been determined to be legally enforceable. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

E—Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to those used in 2011.

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, 2010, 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, plant, 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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
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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 assets to unrestricted net assets at that time. During the year ended June 30, 2011, the NCRTD did not receive any contributed capital assets.

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 at year 2011, and 2010.

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, 2011.

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.

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Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

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 assets and the non-GAAP budget basis financial statements record capital outlay greater than \$5,000 as expenditures.

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, 2011.

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 2011/2010 budget has been legally adopted.

NOTE 3—CASH AND CASH EQUIVALENTS

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

The NCRTD's cash balances consist of demand deposits. The NCRTD's cash balances totaled the following as of June 30, 2011 and 2010.

<u>Cash and Cash Equivalents</u>	<u>2011</u>	<u>2010</u>
Cash		
Los Alamos National Bank - Checking	\$ 5,553,510	3,690,971
Bank of America Espanola	<u>27,549</u>	<u>17,677</u>
Total	<u>\$ 5,581,059</u>	<u>3,708,648</u>

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 fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2011, 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 Deposits and Pledged Collateral By Bank and Account on page 21.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

NOTE 4—RECEIVABLES

<u>Type</u>	<u>2011</u>	<u>2010</u>
Member match receivable	\$ 87,184	47,400
Gross receipt tax receivable	1,336,412	1,206,798
NM DOT federal grant receivable	201,026	266,393
Allowance for doubtful accounts	-	-
Total	<u>\$ 1,624,622</u>	<u>1,520,591</u>

All receivables noted above are deemed fully collectible and an allowance for doubtful accounts has not been established. All amounts are deemed collectible within one year of June 30, 2011.

NOTE 5—DUE TO OTHER GOVERNMENTS

Amounts due to other governments consisted of the following at December 31, 2011 and 2010:

<u>Entity</u>	<u>Purpose</u>	<u>2011</u>	<u>2010</u>
City of Santa Fe	Transit services provided	\$ 17,286	543,072
Rio Metro RTD	Gross receipts pass-thru	347,699	493,326
Los Alamos County	Transit services provided	528,408	-
		<u>\$ 893,393</u>	<u>1,036,398</u>

NOTE 6—ACCRUED LIABILITIES

Accrued liabilities at December 31, 2011 and 2010 consistent of the following:

<u>Type</u>	<u>2011</u>	<u>2010</u>
Accrued payroll	\$ 91,580	75,239
Payroll related taxes and deductions	61,304	41,694
Total	<u>\$ 152,884</u>	<u>116,933</u>

NOTE 7—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.

B—Funding Policy

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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

NCRTD's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$130,521, \$126,374, and \$94,379, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8—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.

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.

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	0.917%
FY13	2.000%	1.000%

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, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contributions rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The NCRTD's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$25,527, \$18,385, and \$9,553, respectively, which equal the required contributions for each year.

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

NOTE 9—PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

Business Type Activities	Balance 2010	Additions	Deletions	Balance 2011
Capital assets not being depreciated:				
Land	\$ 1,228,011	-	-	1,228,011
Construction in progress	-	630,160	-	630,160
Total capital assets not being depreciated	<u>1,228,011</u>	<u>630,160</u>	<u>-</u>	<u>1,858,171</u>
Capital assets being depreciated:				
Vehicles	1,769,893	1,121,090	(610,155)	2,280,828
Furniture, fixtures, & equipment	41,535	-	-	41,535
Leasehold improvements	5,625	-	-	5,625
Buildings and improvements	502,697	-	-	502,697
Total capital assets being depreciated	<u>2,319,750</u>	<u>1,121,090</u>	<u>(610,155)</u>	<u>2,830,685</u>
Less accumulated depreciation for:				
Vehicles	(678,180)	(389,958)	280,590	(787,548)
Furniture, fixtures, & equipment	(15,495)	(8,307)	-	(23,802)
Leasehold improvements	(304)	(281)	-	(585)
Buildings and improvements	(12,013)	(13,371)	-	(25,384)
Total accumulated depreciation	<u>(705,992)</u>	<u>(411,917)</u>	<u>280,590</u>	<u>(837,319)</u>
Total capital assets being depreciated	<u>1,613,758</u>	<u>709,173</u>	<u>(329,565)</u>	<u>1,993,366</u>
Capital assets, net	<u>\$ 2,841,769</u>	<u>1,339,333</u>	<u>(329,565)</u>	<u>3,851,537</u>

For the years ended June 30, 2011 and 2010, depreciation expense was \$411,917 and \$360,575, respectively. New busses were purchased in FY11 and several busses were traded in to offset those purchases, as a result there was a \$70,925 loss, with regard to the traded in busses.

As of the year ended June 30, 2011, the NCRTD had idle equipment in the category of vehicles of acquisition cost of \$155,000, accumulated depreciation of \$122,250, and a book value of \$32,750. No insurance recoveries will be collected related to the idle equipment.

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 10—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance 2010	Additions	Deletions	Balance 2011	Due Within One Year
Compensated absences	\$ <u>86,679</u>	<u>37,876</u>	<u>(41,307)</u>	<u>83,248</u>	<u>45,786</u>

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2011 or 2010.

NOTE 11—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 12—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 13—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 2011 were \$29,050 and were \$24,890 in 2010. The future remaining lease payments under these agreements are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2012	\$ 22,800
2013	-
2014	-
2015	-
2016	-
Thereafter	-
Total	\$ <u>22,800</u>

NOTE 14—RESTRICTED NET ASSETS

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, 2011, the revolving fund balance was \$700,000 and at June 30, 2010, the revolving fund balance was \$700,000. These amounts are presented as restricted net assets on the statement of net assets.

NOTE 15—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.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2011, With Comparative Totals For 2010

NOTE 16 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The NCRTD is in the process on constructing a building in Española, NM in order to move their base of operation from Santa Fe, NM to Española, NM and consolidate the offices, into one central location. The NCRTD is currently under commitment for this building for \$1,166,243. There are also current concerns with the saturation of the ground water, under the pavement, where the busses will be pulling in and out of. This issue is causing a delay in construction. The ultimate cost of the delay because of this issue is unknown at this time.

In FY11, the Internal Revenue Service (IRS) began an examination of the NCRTD's payroll tax payments for the previous 3 years. Instead of filing a 941, the NCRTD did not file any document, but kept making payments, under form 944 regulations. As a result the IRS is saying that the NCRTD did not file the correct form nor make any payments. The examining agent proposed adjustments relating to gross receipts tax collections that, if sustained, would result in additional payroll taxes for those years of approximately \$80,000. The NCRTD does not agree with the adjustments proposed by the IRS and is contesting the proposed tax deficiencies at the appeals level of the agency. The NCRTD is confident that upon final resolution of the issue, the proposed tax deficiencies will be substantially reduced.

No provision has been made in the accompanying financial statement for the proposed additional taxes and interest since the ultimate liability cannot be reasonably estimated.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
For the Year Ended June 30, 2011 With Comparative Totals For 2010

	Original	Final	Actual	Variance
Operating Revenues				
Revenue				
Charges for services	\$ -	-	25,965	25,965
Operating Expenses				
Personnel Services	2,418,423	2,535,475	2,274,991	260,484
Other Operating Expenses	1,248,082	1,030,795	817,705	213,090
Capital Outlay	2,345,670	2,345,670	1,350,760	994,910
Total Operating Expenses	6,012,175	5,911,940	4,443,456	1,468,484
Operating Income (Loss)	(6,012,175)	(5,911,940)	(4,417,491)	1,494,449
Nonoperating Revenues (Expenses)				
Federal grants	1,841,542	2,416,887	1,798,955	(617,932)
State and local grants	-	-	-	-
Member local match	510,861	1,281,580	1,540,000	258,420
Gross receipts and other taxes	7,628,200	6,682,292	7,477,175	794,883
Gross receipts pass-thru to other entities	(4,387,119)	(4,468,819)	(4,332,830)	135,989
Interest income	-	-	2,752	2,752
Total Nonoperating Revenues (Expenses)	5,593,483	5,911,940	6,486,052	574,112
Income (Loss)	5,593,483	5,911,940	6,486,052	574,112
Change in net assets	\$ (418,692)	-	2,068,561	2,068,561
Net assets, beginning of year	418,692	6,553,853	6,553,853	
Net assets, end of year	-	-	\$ 8,622,414	

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

Change in net assets-budget basis	\$ 2,068,561
Subtract depreciation that was recorded on the statement of operations but not on non-GAAP Budget Basis	(411,917)
Capital outlay that was capitalized on the balance sheet but not on non-GAAP Budget Basis	1,350,760
Gain on sale of capital asset, taken into account on balance sheet but was not on non-GAAP Budget Basis	70,925
Change in net assets-business type activity - full accrual basis	\$ 3,078,329

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Passed through New Mexico Department of Transportation			
5311 Grant - Tribal - Formula Grants for Other Than Urbanized Areas	20.509 *	Various	\$ 71,212
5311 Grant - Formula Grants for Other Than Urbanized Areas	20.509 *	M00917	1,160,943
ARRA-Formula Grants for Other Than Urbanized Areas	20.509 *	M00901	<u>303,022</u>
Total CFDA 20.509			<u>1,535,177</u>
5316 Grant - Job Access - Reverse Commute	20.516	M00967/1	137,655
5304 Grant - State Planning and Research	20.515	M00837/4	74,800
5309 Grant - Federal Transit - Capital Investment Grants	20.500	N/A	<u>51,323</u>
Total U.S. Department of Transportation			<u>1,798,955</u>
Total Expenditures of Federal Awards			<u>\$ 1,798,955</u>

* = Denotes major program

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2011.

Note 3 - Subrecipients

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

Note 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 DEPOSITS AND PLEDGED COLLATERAL BY BANK AND ACCOUNT
As of June 30, 2011

<u>Account Name</u>	<u>Account Type</u>	<u>Los Alamos National Bank</u>	<u>Bank of America</u>	<u>Bank Balance</u>	<u>Outstanding Items</u>	<u>Book Balance</u>
LANB Checking	Checking Account	\$ 5,748,574	-	5,748,574	(195,064)	5,553,510
Espanola Checking	Checking Account	-	27,549	27,549	-	27,549
Total amount of deposit in bank		5,748,574	27,549	5,776,123	(195,064)	5,581,059
FDIC coverage		(250,000)	(27,549)	(277,549)		
Total uninsured public funds		5,498,574	-	5,498,574		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		2,749,287	-	2,749,287		
<u>Description</u>	<u>Maturity - CUSIP</u>	<u>Pledged Market Value</u>				
Pledged Security At:						
Dallas: FHLB Letter of Credit	12/12/2011 - #3133955V3	2,750,000	-	2,750,000		
Dallas: FHLB Letter of Credit	11/21/2012 - #3133XVEM9	500,000	-	500,000		
Dallas: FHLB Letter of Credit	11/30/2012 - #3133XYUW3	2,000,000	-	2,000,000		
Dallas: FHLB Letter of Credit	11/30/2012 - #3133XYUW3	500,000	-	500,000		
Dallas: FHLB Letter of Credit	11/30/2012 - #3133XYUW3	400,000	-	400,000		
Subtotal - Collateral		6,150,000	-	6,150,000		
Amount over/(under)/ collateralized		\$ 3,400,713	-	3,400,713		
Total book balance						<u>\$ 5,581,059</u>

Custodial Credit Risk is the risk that in the event of a bank failure, NCRTD's deposits may not be returned. The NCRTD does not have a policy for custodial credit risk. As of June 30, 2011, The NCRTD bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	\$ -
Uninsured, collateral held by the pledging banks, but not in the name of the NCRTD	<u>5,498,574</u>
	<u>\$ 5,498,574</u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS
For Year Ended June 30, 2011**

Item #	Name of Entity	Type of Agreement JPA/MOA/ MOU	Description of Services	Type of Funds	Beginning Date	End Date	Total Estimated Project Amount and Amount Applicable to Agency	Amount Contributed by NCRTD During Current Fiscal Year	Contribution of Working Capital to NCRTD	Termination Clause
1.	City of Santa Fe	MOU	El Dorado Bus Shuttle Service	FY 09 LA Contribution	4/9/2009	12/31/2009	\$ 340,353	\$ 122,242	\$ -	Upon 30 Days Written Notice to the Other Party
						Federal Match	70,129			
						Local Match - City	100,000			
2.	County of Santa Fe	MOA	El Dorado Bus Shuttle Service	Local Match Contribution	11/18/2008	7/31/2009	340,353	150,224	-	Upon 60 Days Written Notice to the Other Party
						Federal Match	70,129			
						Local Match - County	120,000			
3.	County of Rio Arriba	MOA	Transportation Services	Local Match Contribution	7/31/2007	7/31/2017	1,626,375	620,924	-	Based on Funds Availability
						Federal 5311	1,074,478	438,697		
						Local Match - County	113,200			
4.	City of Espanola	MOA	Transportation Services	Local Match Contribution	7/31/2007	7/31/2017	1,626,375	514,094	-	Based on Funds Availability
						Federal Portion	1,074,478			
						Local Portion	37,804			
5.	Rio Metro RTD	Intergovernmental Agreement	Commuter Rail Service	Santa Fe Country Gross Receipts Tax	4/29/2009	Indefinite	Dependent Upon Tax Receipt Collections	-	-	As Long as Regional Transit GRT is Levied
6.	Pueblo of Ohkay Owingeh	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution		6/30/2009	638,750	295,500	-	Termination for Cause by NMDOT
						Federal 5316 TANF	288,750			
						Local Match-Pueblo	47,000			
							7,500			
7.	County of Los Alamos	MOU	To Provide Local Match for Federal Grants	Los Alamos Contribution	10/1/2008	9/30/2009	880,000	-	880,000	Upon 30 Day Written Notice by either party
8.	Pueblo of Pojoaque	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution	4/20/2009	6/30/2009	700,000	293,000	-	Termination for Cause by NMDOT
						Federal 5316 TANF	350,000			
						Local Match-Pueblo	47,000			
							10,000			
9.	Pueblo of Santa Clara	MOA	Transportation Services to Welfare and Low Income Recipients	Local Match Contribution	11/30/2008	6/30/2009	638,750	293,479	-	Termination for Cause by NMDOT
						Federal 5316 TANF	288,750			
						Local Match Pueblo	47,000			
							9,521			
10.	NMDOT	MOA	Federal Assistance for Transportation services to low income individuals	Federal - 5316 Grant	7/1/2010	9/30/2011		137,754	-	Termination for Cause by NMDOT
						Federal 5316	175,744			
						Local Match	175,744			

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS
For Year Ended June 30, 2011**

Item #	Name of Entity	Type of Agreement JPA/MOA/ MOU	Description of Services	Type of Funds	Beginning Date	End Date	Total Estimated Project Amount and Amount Applicable to Agency	Amount Contributed by NCRTD During Current Fiscal Year	Contribution of Working Capital to NCRTD	Termination Clause
11.	NMDOT	MOA	Federal Assistance for public transportation in rural and non-urbanized areas	Federal - 5311 Grant	10/1/2010	9/30/2011		681,142	-	Termination for Cause by NMDOT
						Federal 5311 Local Match	1,278,240 681,142			
12.	NMDOT	MOA	Federal Assistance for development of Transportation Plans	Federal Grant - 5304	2/12/2009	9/30/2011	93,500		-	Termination for Cause by NMDOT
						Federal 5304 Local Match	74,800 18,700	18,700		
13.	NMDOT	MOA	Federal Assistance for Transit Capital Assistance Funds	Federal - ARRA	8/15/2009	8/31/2011	2,000,000		-	Termination for Cause by NMDOT
						Federal Portion	2,000,000			
						Total	<u>\$ 8,184,456</u>	<u>\$ 3,108,359</u>	<u>\$ 880,000</u>	



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

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

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) of the as of and for the year ended June 30, 2011, and the budget comparison schedule for the year ended June 30, 2011 presented as supplementary information, and have issued our report thereon dated November, 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 08-04, 08-08, 10-05, and 10-06.

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*.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings, 10-07.

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

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



Hinkle + Landers, P.C.
November 22, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the NCRTD's management. Our responsibility is to express an opinion on the NCRTD's compliance based on our audit.

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

In our opinion, the NCRTD, complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 08-08.

Internal Control over Compliance

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

not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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

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

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



Hinkle + Landers, P.C.
November 22, 2011

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? X Yes ___ No

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

Non-compliance material to financial statements noted? ___ 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 auditors' report issued on major programs Unqualified

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

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
20.509	Tribal - Capital, Administrative and Operating Expenses	U.S. Dept of Transportation
20.509	Capital, Administrative and Operating Expenses	U.S. Dept of Transportation
20.509	ARRA – 5311 Capital Assistance	U.S. Dept of Transportation

Dollar threshold use to distinguish between

A and B programs: \$300,000

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

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

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

Reference FY-Finding #	Findings	Status of Prior Year Findings	Financial Statement Finding	Federal Award Finding	State Auditor Rule	Material Weakness	Significant Deficiency	Compliance
Prior Year Findings								
06-01	- Due Date Of Audit Report And Data Collection Form	Resolved	Yes	Yes	Yes	No	Yes	Yes
07-01	- Missing Disbursement Documentation	Resolved	Yes	No	No	No	Yes	No
08-01	- Cash Disbursements—Lack Of Segregation Of Duties/ Internal Controls Weaknesses	Resolved	Yes	No	No	Yes	No	No
08-02	- Cash Receipts—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Resolved	Yes	No	No	Yes	No	No
08-03	- Payroll Function—Lack Of Segregation Of Duties/Internal Controls Weaknesses	Resolved	Yes	No	No	Yes	No	No
08-04	- Controls Over Maintaining The General Ledger And Audit Report	Repeated/ Modified	Yes	No	No	Yes	No	No
08-05	- Certification Of Capital Assets Annual Inventory	Resolved	Yes	No	Yes	No	No	Yes
08-08	- Debit Card	Repeated/ Modified	Yes	No	Yes	Yes	No	Yes
08-10	Approved Journal Entries	Resolved	Yes	No	No	No	Yes	No
08-11	Recording of Revenue	Resolved	Yes	Yes	No	No	Yes	Yes
10-01	Unauthorized Salary Increases	Resolved	Yes	No	No	No	Yes	No
10-02	Business Purpose For Expenditures	Resolved	Yes	No	No	Yes	No	No
10-03	Missing Laptop	Resolved	Yes	No	No	No	Yes	No
10-04	Travel/Per Diem Testing	Resolved	Yes	No	No	Yes	No	No
10-05	Per Diem Policy	Repeated/ Modified	Yes	No	No	Yes	No	No
10-06	Missing Appropriate Signatures On Disbursements	Repeated/ Modified	Yes	No	No	Yes	No	No
10-07	Cell Phone Policy	Repeated/ Modified	Yes	No	No	No	No	No
Current Year Findings								
None								

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

08-04 – CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT – MODIFIED/REPEATED – MATERIAL WEAKNESS

Statement of Condition

During our audit we made several adjustments to the NCRTD's books that SAS 115 requires to be reported as a finding. The adjustments consisted of the following:

- Adjust accounts payable Approx \$350,000
- Adjust receivables Approx \$1,200,000

Criteria

Some of the key underlying concepts of Statement of Auditing Standards (SAS) 115 are

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain. Also since significant adjustments to the financials were made it calls into question whether the Department staff has the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Effect

Because these adjustments were identified and made by the auditor, and not by the NCRTD, it shows an internal control weakness in maintaining the general ledger that potentially extends to the audit report. This significantly increases the potential for misstated financial statements.

Cause

The NCRTD's personnel and internal control procedures were not effective in identifying and correcting material errors to the general ledger that would have resulted in material misstatement of the financial statements had they not been corrected by the auditor.

Recommendation

We recommend that the NCRTD make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the NCRTD initiates/makes the adjustment and understands how and why the adjustments were made.

Management Response

The NCRTD has completed 3 years of audits in the past 10 months. It has been challenging to keep up with the adjustments due to the audit timing. Some of the Accounts Payable adjustments to the general ledger were correcting FY10 AJEs. The finance staff at NCRTD has started to reconcile the general ledger each month, which is a step that never occurred here at NCRTD due to the small staff and due to the fact the audits were a bit behind. Management feels that by reconciling the general ledger each month we should be able to catch these adjusting entries. The NCRTD Finance staff will work diligently to correct this finding.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

08-08 – DEBIT CARD – MODIFIED/REPEATED – MATERIAL WEAKNESS

Statement of Condition

During the audit, we reviewed all available months of debit card transactions. This review showed several areas of concern that had carried over from the FY10 audit, regarding the debit card and how it was used to make purchases.

As a result of the testing, we determined the following weaknesses:

- A. There is one card that is held primarily by the then Executive Director. The card has access to the NCRTD main checking account which as of June 30, 2011 had a balance of \$5,553,510.
- B. The card is used to make purchases and has been set at the limit of \$1,000 per day. The limit can be changed by the Finance Manager and the then Executive Director.
- C. No approval process or outside procurement code.
- D. There appeared to be little oversight exercised to ensure all purchases were supported by a valid business purpose
- E. There was no clear method for Finance personnel to question purchases made by the then Executive Director, as that individual was given broad authority to make purchases as deemed necessary.

Discussion with the Finance Manager revealed that in early 2011, the debit card was destroyed and is no longer in use. The NCRTD has subsequently begun using the P-Card system for its debit/credit card purchases.

Criteria

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

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

Effect

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

Cause

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

Recommendation

The debit card was removed half way through FY11 and we recommend that a debit card should not be distributed again. The P-Card was implemented in FY11 and we recommend that the NCRTD continue with this process when making purchases. The P-Card statement should be reconciled to the general ledger and signed and dated by the reconciler and then reviewed by a responsible official who will sign and date it.

Management's Response

The NCRTD has established the P-Card process and we have a policy approved by Bank of America. Our policy does not quite follow the auditor's recommendations but it is what Bank of America specified. The NCRTD will utilize this P-Card for purchases instead of the debit card. The NCRTD has

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

4 P-Cards in place; 2 with a \$5,000 limit and 2 with a \$2,000 limit. These cards are used only when a vendor will not accept a PO from the NCRTD or for emergency purchases. The staff that the cards are issued to have to follow procurement procedures and approval processes prior to using the cards. The P-Card cannot be used like a debit card, no cash can be withdrawn, no meals can be purchased, etc.

10-05 – PER DIEM POLICY – MODIFIED/REPEATED – MATERIAL WEAKNESS

Statement of Condition

Per Diem rates were not consistently applied. It appears that employees were using a variety of per diem rates when submitting for travel reimbursement. These ranged from federal travel rates, DFA rates, and other unknown rates. It gave the appearance that the most personally advantageous per diem rates were chosen.

Criteria

Ensure proper internal controls and use of government funding.

Effect

Since there is no policy regarding per diem, employees are able to claim which ever rate is most beneficial. This has also resulted in a lack of supervision of the claims and without the need for supporting documentation. As a result, NCRTD is paying employees rates and amounts that do not correspond to actual traveling costs.

Cause

Employees took advantage of the lack of a policy and requested per diem rates that were not in line with actual costs. This was done by senior employees and management and was allowed to continue by the then Executive Director, as a result the practice continued.

Recommendation

NCRTD should review its per diem policy to clarify the accepted per diem rates for given situations and implement process to ensure the policy is strictly adhered to.

Management Response

The NCRTD is in the process of updating the Travel Policy and the Procurement Policies. These new updated polices will address all these issues. The NCRTD's travel policy will have very clear guidelines regarding reimbursement of travel expenses.

We have also instituted in FY11 a Travel Request for that must be approved prior to any travel. We are also in the process of updating our Travel Reimbursement forms. All of these changes will address this finding.

10-06 – MISSING APPROPRIATE SIGNATURES ON DISBURSEMENTS – MODIFIED/REPEATED – MATERIAL WEAKNESS

Statement of Condition

We selected 8 significant disbursements and did not find any problems. Since all the bank statements were made available, we reviewed all the checks written and found 3 checks (12524, 12584, and 12803) over the \$20,000 threshold, that were not signed by two people. Review of the checks did not seem to indicate the presence of any wrong-doing. Since the new Finance Director has been at the NCRTD, beginning in January 2011, there does not seem to be any signature mistakes, so this finding will most likely be removed for FY12.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Criteria

NCRTD's accounting policies required that all checks over \$20,000 be signed by 2 people. This statement is also included on all checks in their check stock.

Effect

NCRTD is not in compliance with its' own internal controls and as a result pose a risk of material misstatements.

Cause

There is a break down in the internal controls and the checks are not being properly reviewed. This could cause an unwanted check to be written and then disbursed, without passing through the necessary controls, which would have been able to prevent the unwanted check.

Recommendation

NCRTD should be more careful when reviewing checks for more than \$20,000 and making sure 2 people sign the check.

Management Response

The NCRTD finance staff is small; the Financial Manager prints the checks and attaches the back up for either the Executive Director or Chair of the Board to sign. If a check requires 2 signatures then a bright post-it note is attached. Once the checks are signed they are given to the Financial Specialist who when records the check information on the payment voucher, she verifies there is a signature. If there is not a signature or if it requires two signatures, it is returned to the Financial Manager for safe-keeping until a signature authority is able to sign.

The NCRTD Staff verifies and looks at each check as it is being prepared to be mailed out.

10-07 – CELL PHONE POLICY – MODIFIED/REPEATED – OTHER MATTERS

Statement of Condition

It was observed that during the year ended June 30, 2011, the NCRTD's cell phone policy was not adhered to by all employees. The policy places a cap of \$135/month for cell phones.

During testing and review of the debit card transactions, it was noted that the then Executive Director was paying for 100% her company cell phone via the NCTR D's debit card. The payments consistently exceeded the maximum allowed by the current policy.

Further review of the policy itself showed that it does not indicate how personal usage of the phones is to be treated. In some cases employees were reimbursed for 100% of their phone (even when following the existing policy), while in others this was significantly less. It largely depended on the type of phone and the plan the individual had. It did not appear that consideration was given to how the phones were used as long as they were within the monthly cost limits provided for in the policy.

Criteria

Per the NCRTD Cell Phone Policy:

“The NCRTD will reimburse a maximum of \$135.00 per month for eligible employees. The allowance of \$135.00 is sufficient to provide a basic plan for minutes, data, insurance, broadband and text messaging.”

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Effect

The NCRTD is not in compliance with its cell phone policy. Employees are potentially receiving reimbursements in excess of allowable limits. There is a potential for employees to be reimbursed for non-business related charges on their phone.

Cause

There was inadequate oversight of the cell phone policy. The existing policy was deemed adequate for the needs of the organization.

Recommendation

The NCRTD has implemented a new cell phone policy which will be in effect for FY12. It is recommended that this policy strictly enforced so that the NCRTD does not pay for personal employee expenses. In the event NCRTD needs to pay for or reimburse an employee for amounts greater than the policy indicates, the reasoning/support for such payments should be clearly documented.

Management Response

The NCRTD did have a cell policy in FY10 and as the auditor's stated above in their criteria it was to reimburse up to \$135.00 a month. For the most part employees did observe this policy but since new staff have been hired the NCRTD has been looking at all policies and procedures, the new staff has re-worked the cell phone policy where staff now has 2 choices: (1) they get their own personal cell phone and the district purchased phone it to be used for district business only, (2) they can choose to get their own phone with a district reimbursement for district business of up to \$55.00 a month. We feel that this new policy is tighter and will allow us to resolve this finding.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

CURRENT YEAR FINDINGS

NONE

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

An exit conference was held in a closed session on November 22, 2011, at NCRTD's offices in Santa Fe, New Mexico. In attendance were the following:

Representing the NCRTD:

Anthony Mortillaro
Rosemary Romero
Kelly Muniz

Executive Director
Board of Directors, Chair
Finance Manager

Representing Hinkle + Landers, PC:

Farley Vener
Erick Robinson
Katelyn Constantin

Managing Shareholder
Audit Manager
Staff Auditor

FINANCIAL STATEMENTS

The financial statements of NCRTD as of June 30, 2011, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.