



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**NORTH CENTRAL REGIONAL
TRANSIT DISTRICT**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2013
With Comparative Totals for 2012**

**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, 2013**

Board of Directors

Board Member	Title	Representing
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



INDEPENDENT AUDITORS' 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, 2013, 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, 2013, 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.

Auditors' 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, 2013, 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, 2013, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the NCRTD's June 30, 2012 financial statements. In our report dated November 27, 2012, 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 on pages 4-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2013, 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.
Albuquerque, NM
November 22, 2013

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the financial performance and activity provides an overview of the North Central Regional Transit District (NCRTD or the District) for the fiscal year ended June 30, 2013. It is designed to assist the reader to focus on financial aspects, by providing an overview of the District's financial activity, and identifying changes in the District's financial position.

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 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.

Overview of the Financial Statements

The District's financial statements consist of statement of net position, statement of revenue, expenses and changes in fund net position, and statement of cash flows. These statements offer short-and long-term financial information about all 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 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 in the United States of America (GAAP). 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 financial statements are found on pages 15-17 of this report. 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 found on pages 18-29 of this report.

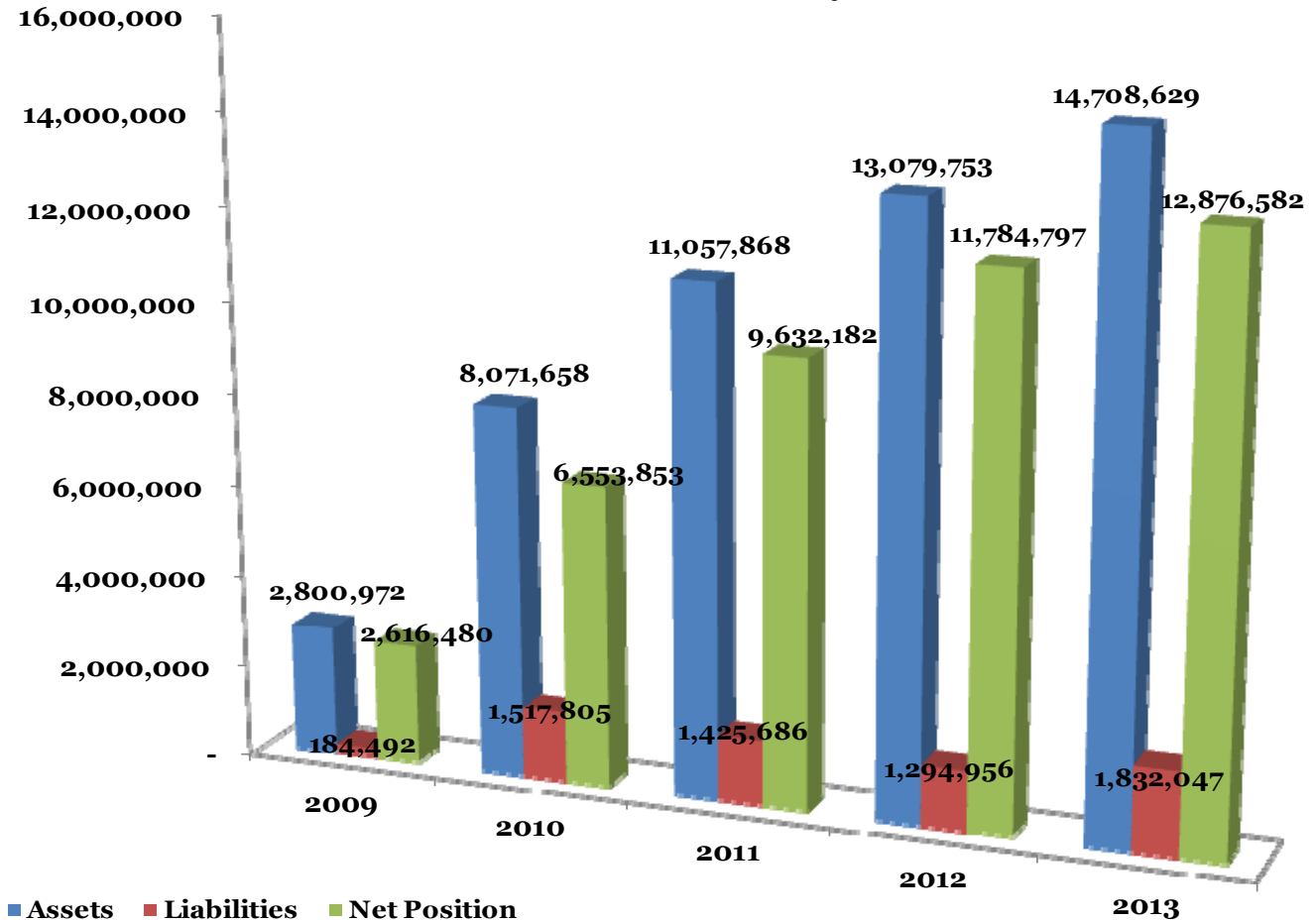
**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Financial Highlights

NET POSITION

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

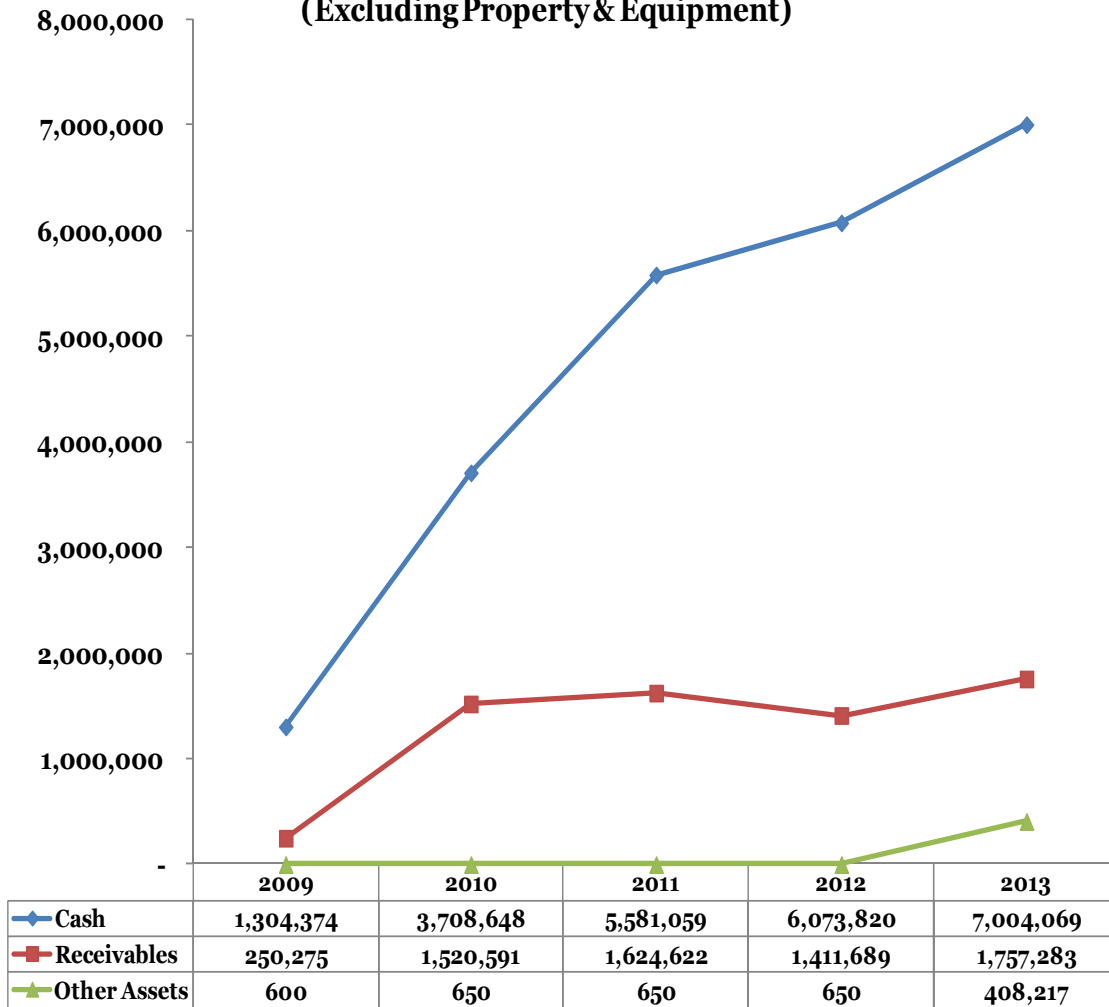
Balance Sheet Analysis



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

The NCRTD total assets at June 30, 2013 increased 11% from \$13,079,753 in FY12 to \$14,708,629 in FY13. This increase is mainly due to the completion of the construction related to the Espanola Administrative building, completion of shelters properly posted on the books from the prior year and moved into building/property assets, along with the purchase of 4 buses prior to year end. Cash increased by \$930,249. Receivables related to identifying grant funds due to the District increased by 24% or \$345,594.

**Assets Over Time
(Excluding Property & Equipment)**

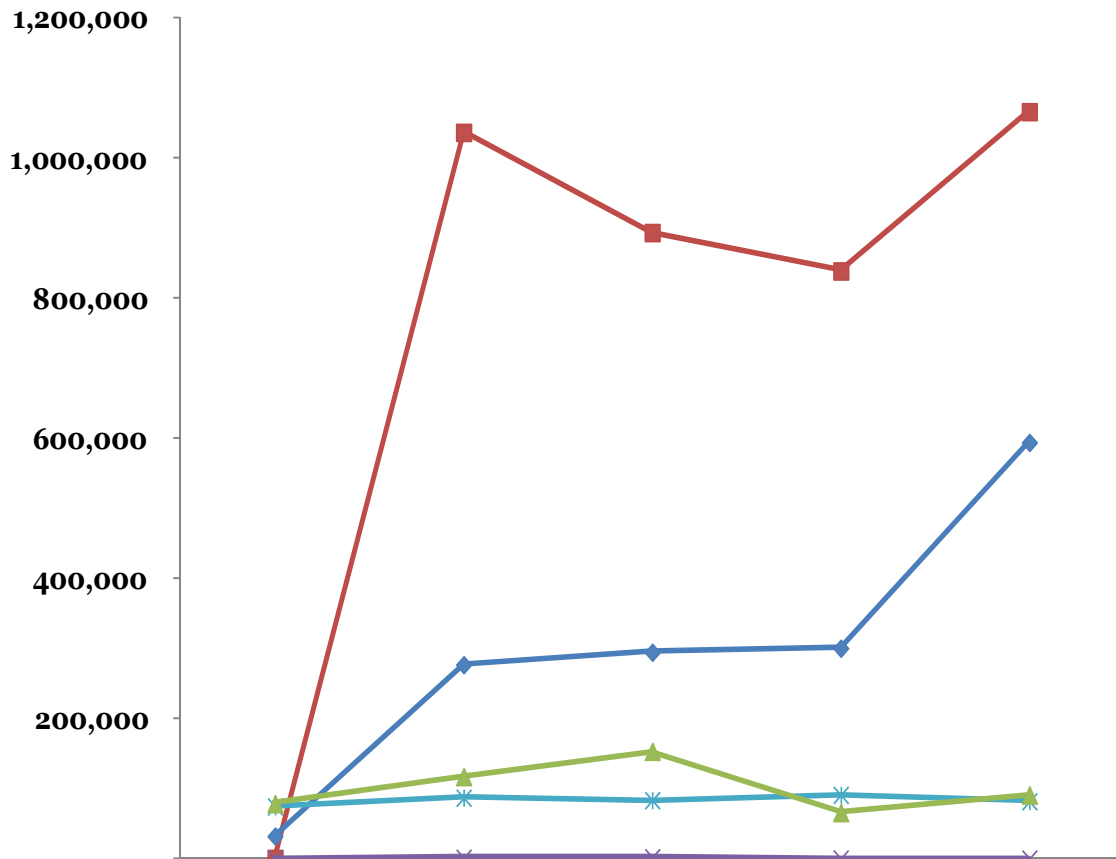


**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

The District's total liabilities at June 30, 2013, increased by \$541,191, from \$1,254,103 to \$1,795,294, or 30%, from the prior year. This increase is due to an increase in accounts payable from posting of buses that were ordered by the District in the current fiscal year, but not arriving until the next (FY14). The NCRTD also posts anticipated GRT revenue in receivables and the offset to Non-RTD GRT funds in accounts payable.

The District's total liabilities at June 30, 2013, increased by \$537,091 from \$1,294,956 to \$1,832,047, a change of 29%, from the prior year.

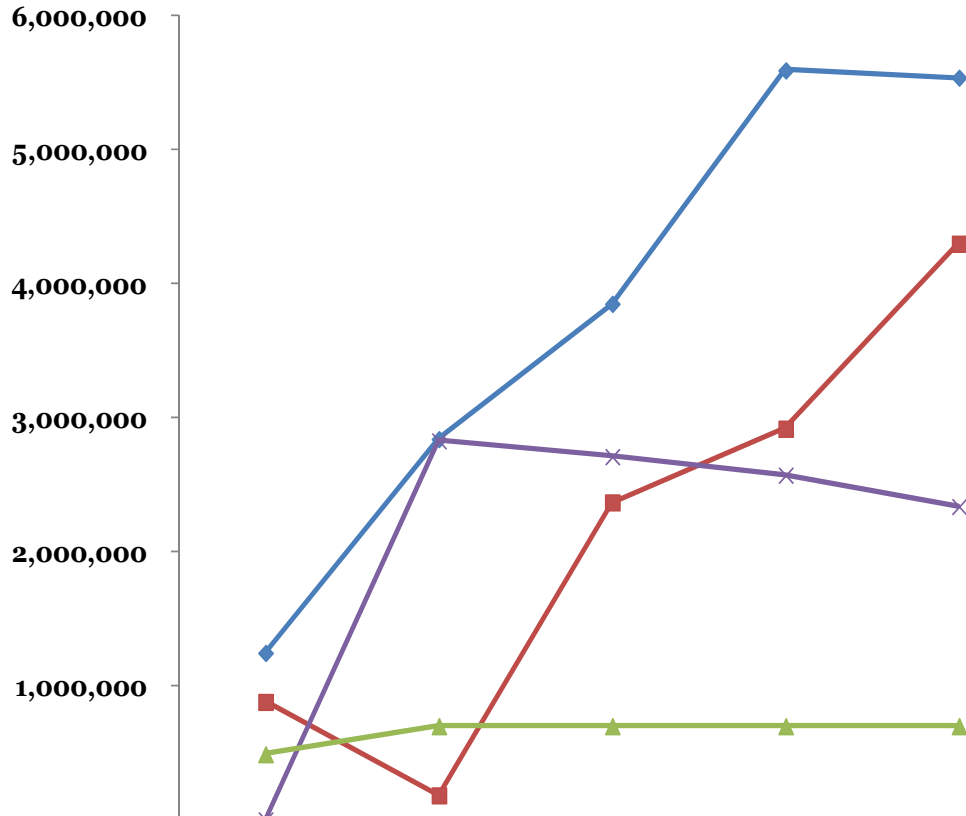
Liabilities Over Time



	2009	2010	2011	2012	2013
■ Due to Other Governments	-	1,036,398	893,393	838,608	1,065,906
◆ Accounts Payable	31,939	276,601	294,332	300,127	593,776
* Compensated Absences	74,193	86,679	83,248	90,784	81,673
▲ Payroll Related Liabilities	78,360	116,933	152,884	65,437	90,692
× Funds Held for Others	-	1,194	1,829	-	-

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Net Position Over Time



	2009	2010	2011	2012	2013
◆ Net investment in capital assets	1,245,723	2,841,769	3,851,537	5,593,594	5,539,060
■ Unrestricted - Undesignated	880,600	183,289	2,369,433	2,918,886	4,299,345
× Unrestricted - Designated	-	2,828,795	2,711,212	2,572,317	2,338,178
▲ Temporarily Restricted - Working Capital	490,157	700,000	700,000	700,000	700,000

The net position of the District (assets less liabilities) at June 30, 2013, increased 8% or \$1,091,785, from \$11,784,797 to \$12,876,582 from the prior year. At June 30, 2013, total net position of \$4,299,345 was unrestricted-undesignated; this is an increase of \$1,380,459. Net position of \$2,338,178 was unrestricted-designated, which is a decrease of \$234,140. Restricted-working capital remained static at \$700,000 for both FY12 and FY13.

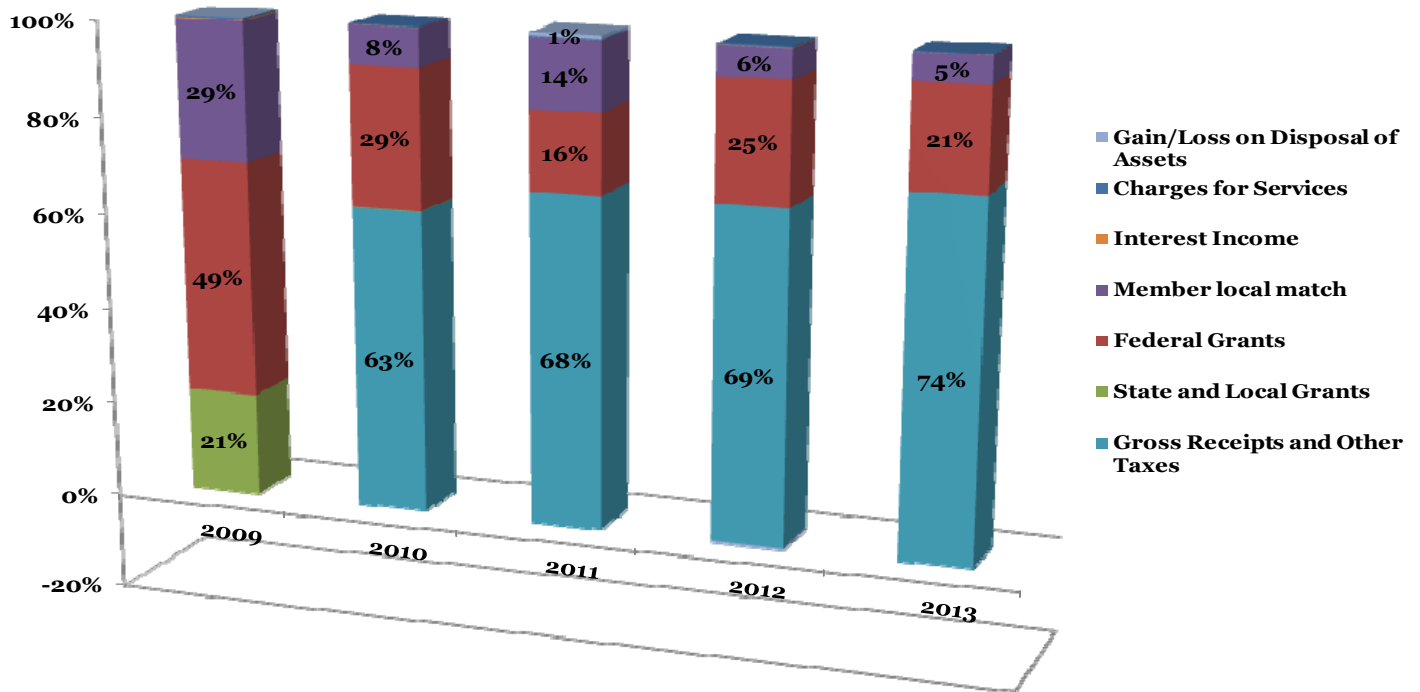
The NCRTD total Liabilities and Net Position increased 11% or \$1,628,876, from \$13,079,753 to \$14,708,629 at year end June 30, 2013.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

REVENUES

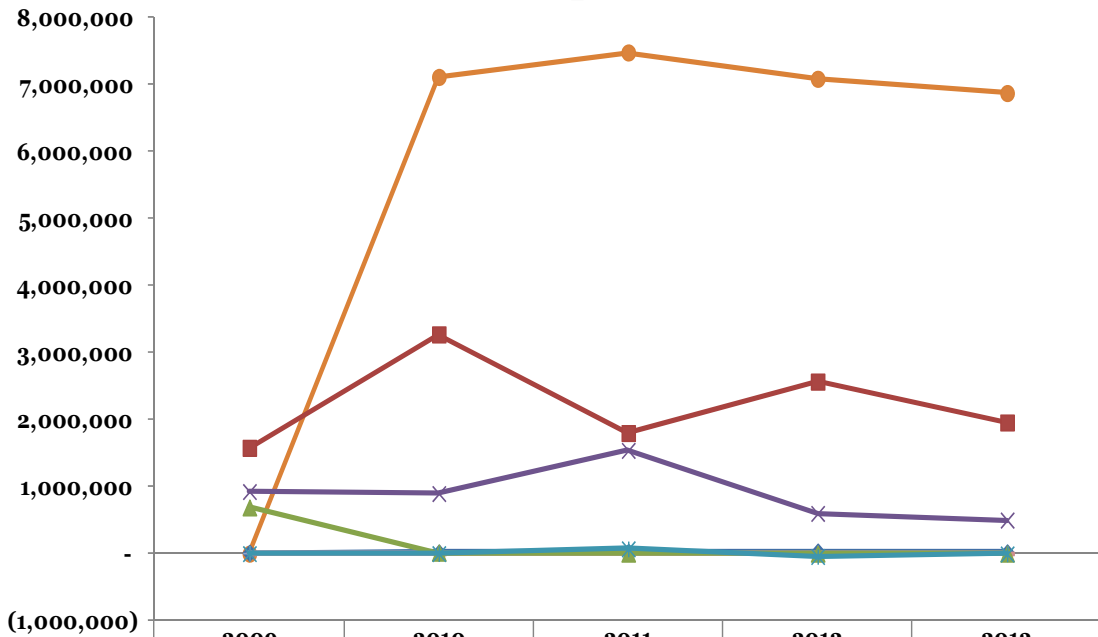
- Total operating and non-operating revenues decreased 16%, to \$5,002,153 during FY13, due primarily to a decrease of \$975,149 in the capital fund, from federal stimulus funds received during the construction of the building in FY12. Many of these grants were received in FY12. Total operating revenues decreased by 41% from \$30,550 to \$17,925, and non-operating revenues were reported at June 30, 2013 of \$5,002,228, which is a 16% decrease from \$5,964,752 in FY12. This includes the decrease of Gross Receipt passed-thru to Non-RTD participants (\$4,327,824) and Gain/(Loss) on disposal of assets (\$44,734).
- Fiscal year 2013 Operations revenue decreased by \$12,625, or 12%, from FY12. Operating revenue consists of Fares \$10,762, Miscellaneous Revenue \$4,972 and Insurance Proceeds \$2,191.

Percentage of Total Revenue



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Revenue By Type



(1,000,000)	2009	2010	2011	2012	2013
— Gross Receipts and Other Taxes	-	7,112,057	7,477,175	7,083,927	6,871,271
— Federal Grants	1,578,156	3,271,041	1,798,955	2,566,482	1,957,128
— Member local match	926,090	896,197	1,540,000	600,000	500,000
— Charges for Services	12,394	15,484	25,965	30,550	17,925
— Interest Income	7,348	5,400	2,752	8,309	3,377
— Other Revenue	-	-	-	-	3,010
— State and Local Grants	688,910	15,000	-	-	-
— Gain/Loss on Disposal of Assets	-	-	70,925	(42,766)	(4,734)

TOTAL REVENUE 3,212,898 11,315,179 10,915,772 10,246,502 9,347,977

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

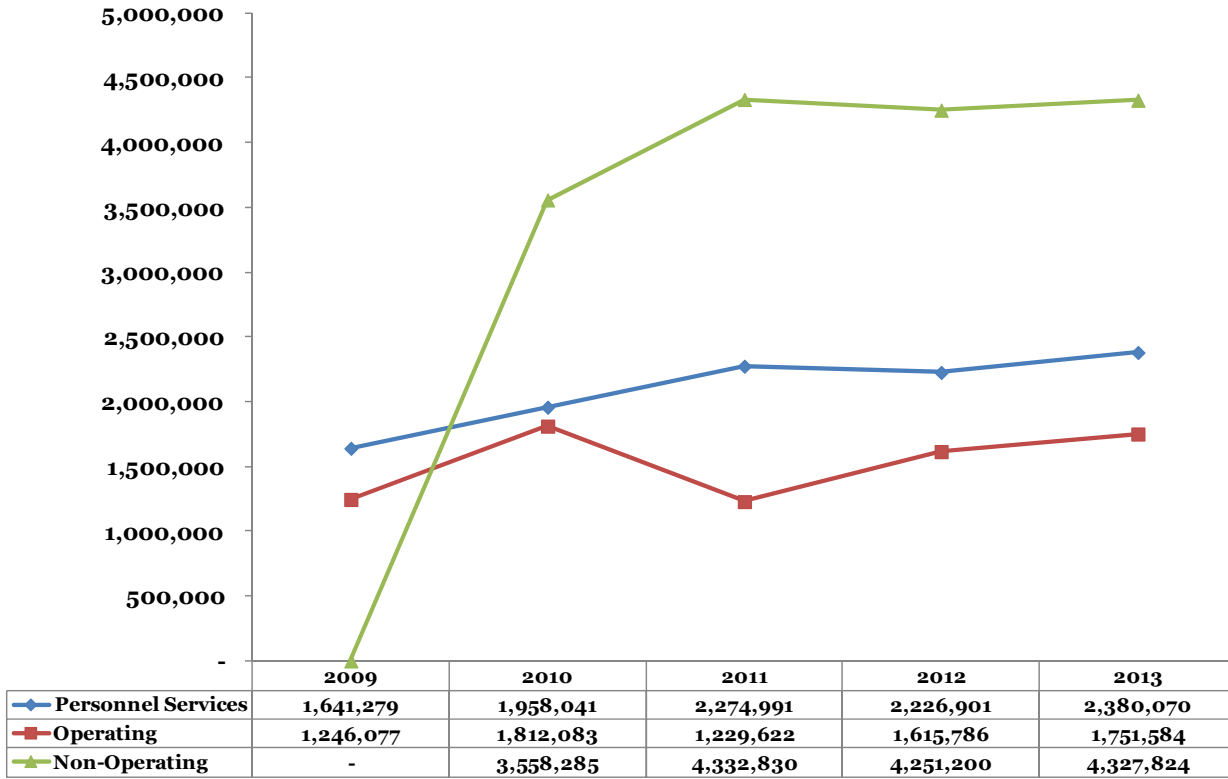
OPERATING AND NON-OPERATING EXPENSES

- Total operating and non-operating expenses increased 8%, by \$288,967 during FY 13. Personnel Services increased by \$153,169 to \$2,380,070. Union contract settlement with the Teamsters Local 429 in April 2013 and payment of granted wage and salary increases to union represented employees. Vacancies in FY12 were fulfilled and the Compensation and Classification study conducted in May-June of 2013 will increase wages and benefits with an anticipated increase to take effect in FY14.

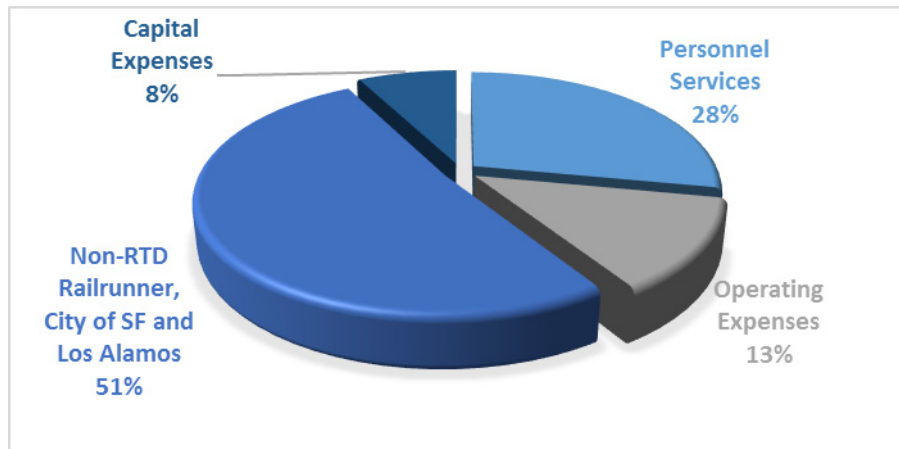
	2012		2013		Difference	
	\$	%	\$	%	\$	%
Comparative Expenses by Type: Chart Data:						
Salaries and payroll related expenses	2,226,901	58.0%	2,380,070	57.6%	153,169	6.9%
Vehicle repairs and maintenance	494,619	12.9%	604,102	14.6%	109,483	22.1%
Professional services	209,710	5.5%	186,358	4.5%	(23,352)	-11.1%
Equipment expense	41,059	1.1%	133,986	3.2%	92,927	226.3%
Insurance	97,553	2.5%	89,556	2.2%	(7,997)	-8.2%
Maintenance, repairs, and utilities	126,835	3.3%	70,958	1.7%	(55,877)	-44.1%
Advertising	24,091	0.6%	35,137	0.9%	11,046	45.9%
Office expenses	34,444	0.9%	21,654	0.5%	(12,790)	-37.1%
Travel, meetings, travel, lodging, and per diem	11,805	0.3%	17,789	0.4%	5,984	50.7%
Dues, licenses and fees	2,956	0.1%	17,550	0.4%	14,594	493.7%
Uniforms	12,193	0.3%	1,540	0.0%	(10,653)	-87.4%
Training	5,235	0.1%	1,358	0.0%	(3,877)	-74.1%
Depreciation	555,286	14.5%	571,596	13.8%	16,310	2.9%
Total Personnel and Operating Expenses	3,842,687	100%	4,131,654	100%	288,967	7.5%

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Expenses By Type



TOTAL EXPENSES: 2,887,357 7,328,409 7,837,443 8,093,887 8,459,478



Actual Fiscal year 2013 Expenditures totaled \$8,459,478. Personnel Services which consists of salaries and benefits comprised 28% of total expenditures, with operating expenses comprising 13%, and capital expenses at 8%. The largest expenditure category, 51% is related to non-RTD payments made to the RailRunner, City of Santa Fe and Los Alamos County for providing regional services approved by the District Board.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

Budgetary Analysis

Budgeted federal grant revenue, member local match revenue, and gross receipts and other taxes revenues stayed the same from Original to Final budgets. Operating expenses decreased by \$2,851,125 between Original and Final budgets. Gross receipts pass-thru to other entities also remained the same between Original and Final budgets.

Capital Asset and Debt Administration

The District finished completion of the Espanola Administrative building in FY13. This resulted in a reclassification from Construction in Progress to Buildings of over \$2,000,000. The building and related capital assets began depreciating at the beginning of FY13.

The Districts debt consists of compensated absences. Compensated Absences decreased by \$9,111. The District has no other long-term debt.

Economic Condition, Outlook and Activity

The NCRTD operating and capital planning decisions were based on strategic initiatives contained within its Financial Policies adopted by the Board of Directors. These initiatives are guided by the mission and vision statements of NCRTD.

- At midyear the NCRTD anticipated a reduction in projected Gross Receipt Tax (GRT) revenue and moved to offset this reduced revenue with expenditure cuts and the placement of Capital Outlay projects that did not have a federal match on a hold status until the end of the Fiscal year 2013.
- NCRTD reported year-to-date actuals for expenditures and revenues as of June 30, 2013. The District had anticipated a total deficit in revenue of -\$218,002 during the mid-year review reporting at the end of December 31, 2012. The year to date ending actual deficit was -\$84,956, as a result the District revenues deficit was \$133,046 less than projected at mid-year.
- Gross Receipt Tax (GRT): The NCRTD deficit was mainly driven by a decline of GRT revenue generated in Los Alamos County (LAC). The anticipated revenue expected to be received from October's GRT was \$88,794. However, a refund granted to the Los Alamos National Laboratory by the State Department of Revenue, left NCRTD having to reimburse LA County \$65,390.65. The loss of anticipated GRT revenue from previous months led the NCRTD to project a reduction in revenue by 20% for the remainder of the fiscal year. Anticipating a \$532,993 deficit from what was budgeted. At year end the LA County deficit was \$472,532, a difference of \$60,401.

Due to this deficiency in the anticipated revenue, the NCRTD also adjusted the following counties projected GRT revenue conservatively as follows:

- Rio Arriba County – anticipated decrease of 29% or \$9,043, actually came in at a higher loss at yearend of \$12,801 a difference of \$3,758.
 - Santa Fe County – anticipated Increase of 13% or \$260,837, actually came in higher at year end totaling \$301,522 and an increase of \$40,685.
 - Taos County – anticipated Increase of 54% or \$19,152, actually came in higher at year end totaling \$41,281, an increase of \$21,130.
- The NCRTD calculated all the expenditures year- to- date as of December 31, 2012, and closely

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2013**

reviewed all the line items and anticipated spending cuts directly related to Administration, Operations, Non-RTD and Capital accounts. NCRTD closely monitored its expenditures, and administered spending cuts. These spending cuts allowed the District the funds available to offset the loss in GRT revenue.

The breakdown of savings in cuts anticipated vs. actual were as follows:

- Administration anticipated cuts in the amount of \$268,098, actual savings \$291,075 generating a higher savings of \$22,977
- Operations anticipated cuts in the amount of \$240,716; actual savings \$262,687, generating a higher savings of \$21,971.
- Non-RTD (paid to City of Santa Fe, Rio Metro—RailRunner and Los Alamos County) anticipated loss in the amount of -\$123,316 in which the actual was -\$119,544.
- Capital Outlay anticipated savings of \$291,213, in which the actual savings \$264,016, generating a higher savings of \$28,310.

The total anticipated savings in expenditure cuts estimated to \$676,711 and total Year end savings came in at \$704,915 a difference of \$28,204 more in total savings.

Overall the NCRTD has benefited from budgeting revenue conservatively and cutting expenditures for the Year of FY13 with a total surplus of \$619,955 in Gross Receipt Tax savings.

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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2013 With Comparative Totals For 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 7,004,069	6,073,820
Receivables	1,757,283	1,411,689
Prepaid expenses	-	-
Total Current Assets	8,761,352	7,485,509
Non-Current Assets		
Other assets	408,217	650
Capital Assets, net of accumulated depreciation	5,539,060	5,593,594
Total Assets	\$ 14,708,629	13,079,753
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 593,776	300,127
Due to other governments	1,065,906	838,608
Payroll related liabilities	90,692	65,437
Funds held for others	-	-
Compensated absences - current portion	44,920	49,931
Total Current Liabilities	1,795,294	1,254,103
Non-Current Liabilities		
Compensated absences - non-current portion	36,753	40,853
Total Liabilities	1,832,047	1,294,956
NET POSITION		
Unrestricted		
Net investment in capital assets	5,539,060	5,593,594
Unrestricted, undesignated	4,299,345	2,918,886
Unrestricted, designated	2,338,178	2,572,317
Restricted - Working Capital	700,000	700,000
Total Net Position	12,876,582	11,784,797
Total Liabilities and Net Position	\$ 14,708,629	13,079,753

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 FUND NET POSITION
For the Year Ended June 30, 2013 With Comparative Totals For 2012

	2013	2012
OPERATING REVENUES		
Charges for services (program revenues)	\$ 17,925	30,550
Total operating revenues	17,925	30,550
OPERATING EXPENSES		
Personnel Services		
Salaries and wages	1,718,898	1,585,192
Payroll taxes	124,553	115,310
Employee benefits	536,619	526,399
Total personnel services	2,380,070	2,226,901
Other Operating Expenses		
Advertising	35,137	24,091
Dues, licenses and fees	17,550	5,656
Equipment expense	133,986	41,059
Insurance	89,556	97,553
Travel, meetings, travel, lodging, and per diem	17,789	11,805
Occupancy and utilities	24,932	44,352
Office supplies, postage and photocopies	20,776	23,868
Penalties and interest	62	9,430
Professional services	186,358	209,710
Repairs and maintenance	24,987	59,059
Telephone and internet	21,039	20,724
Training	1,358	5,235
Uniforms	1,540	12,193
Vehicle repairs and maintenance	604,102	494,619
Miscellaneous expenses	816	1,146
Depreciation	571,596	555,286
Total other operating expenses	1,751,584	1,615,786
Total operating expenses	4,131,654	3,842,687
Operating income (loss)	(4,113,729)	(3,812,137)
NON-OPERATING REVENUES (EXPENSES)		
Federal grants	1,957,128	2,566,482
Member local match	500,000	600,000
Gross receipts and other taxes	6,871,271	7,083,927
Gross receipts passed-thru to other entities	(4,327,824)	(4,251,200)
Gain/(loss) on disposal of assets	(4,734)	(42,766)
Other revenue	3,010	-
Interest income	3,377	8,309
Total non-operating revenues (expenses)	5,002,228	5,964,752
Change in net position	888,499	2,152,615
Net position, beginning of year	11,784,797	9,632,182
Restatement	203,286	-
Beginning net assets-as restated	11,988,083	9,632,182
Net position end of year	\$ 12,876,582	11,784,797

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, 2013 With Comparative Totals For 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers (charges for services)	\$ 17,925	30,550
Cash paid to employees (personnel services)	(2,363,926)	(2,306,811)
Cash paid to suppliers (other operating expenses)	(1,115,879)	(1,066,783)
Net cash provided (used) by operating activities	(3,461,880)	(3,343,044)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from grants and agreements	2,156,070	3,379,416
Cash received from gross receipts and other taxes	6,871,271	7,083,927
Cash paid to other entities for pass-thru taxes	(4,327,824)	(4,251,200)
Net cash provided by (used for) noncapital financing activities	4,699,517	6,212,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for acquisition of capital assets	(313,775)	(2,402,847)
Cash received from sale of capital assets	3,010	18,200
Net cash provided by (used for) capital and related financing activities	(310,765)	(2,384,647)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from interest on cash and cash equivalents	3,377	8,309
Net cash provided by (used for) investing activities	3,377	8,309
Net increase (decrease) in cash and cash equivalents	930,249	492,761
Cash and cash equivalents, beginning of year	6,073,820	5,581,059
Cash and cash equivalents at end of year	\$ 7,004,069	6,073,820
Reconciliation of operating loss to net cash provided by (used for) operating activities		
Operating income/(loss)	\$ (4,113,729)	(3,812,137)
Adjustments to reconcile increases in net position to cash provided by operating activities:		
Depreciation expense	571,596	555,286
Restatement	-	-
(Gain)/loss on disposal of assets	(4,734)	-
Change in assets and liabilities:		
Other assets	(407,567)	-
Accounts receivable	(44,537)	44,537
Accounts payables	520,947	(48,991)
Payroll related liabilities	25,255	(87,446)
Funds held for others	-	(1,829)
Compensated absences	(9,111)	7,536
Net cash used by operating activities	\$ (3,461,880)	(3,343,044)

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, 2013, With Comparative Totals For 2012

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, 2013, With Comparative Totals For 2012

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, 2013, With Comparative Totals For 2012

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, 2013.
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 2012 financial statements to conform to those used in 2013.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

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, 2012, 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, 2013, the NCRTD did not receive any contributed capital assets.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

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 2013, and 2012.

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, 2013.

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, 2013, With Comparative Totals For 2012

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, 2013.

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 2013/2012 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 2013.

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 2013.

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, 2013 and 2012.

Cash and Cash Equivalents	2013	2012
Cash		
Los Alamos National Bank - Checking	\$ 6,865,173	6,036,374
Bank of America Espanola	138,867	37,396
Petty cash	31	50
Total	<u>\$ 7,004,071</u>	<u>6,073,820</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 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
For The Year Ended June 30, 2013, With Comparative Totals For 2012

As of June 30, 2013, 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 as listed in the table of contents.

NOTE 4—RECEIVABLES

<u>Type</u>	<u>2013</u>	<u>2012</u>
Gross receipt tax receivable	\$ 1,181,093	1,176,742
NM DOT federal grant receivable	576,190	190,409
Vehicle sale receivable	-	44,537
Total	<u>\$ 1,757,283</u>	<u>1,411,688</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, 2013.

NOTE 5—DUE TO OTHER GOVERNMENTS

Amounts due to other governments consisted of the following at June 30, 2013 and 2012:

<u>Entity</u>	<u>Purpose</u>	<u>2013</u>	<u>2012</u>
Rio Metro RTD	Gross receipts pass-thru	517,811	341,772
Los Alamos County	Transit services provided	548,095	496,836
		<u>\$ 1,065,906</u>	<u>838,608</u>

NOTE 6—ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 and 2012 consistent of the following:

<u>Type</u>	<u>2013</u>	<u>2012</u>
Accrued payroll	\$ 45,808	28,409
Payroll related taxes and deductions	44,884	37,028
Total	<u>\$ 90,692</u>	<u>65,437</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.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

B—Funding Policy

Initially the NCRTD was enrolled in the Municipal Plan #2 through the City of Santa Fe. However, the NCRTD is no longer associated with the City of Santa Fe under PERA, but they still contribute to the Municipal Plan #2. 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 NCRTD's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$132,721, \$140,995, and \$130,521, 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 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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

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, 2013, 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, 2013, 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, 2013, 2012 and 2011 were \$27,645, \$25,527, and \$18,385, 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, 2013, With Comparative Totals For 2012

NOTE 9—PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

Business Type Activities	Balance 2012	Additions	Deletions	Adjustments	Balance 2013
Capital assets not being depreciated:					
Land	\$ 1,228,011	-	-	-	1,228,011
Construction in progress	2,167,764	-	-	(2,167,764)	-
Total capital assets not being depreciated	<u>3,395,775</u>	<u>-</u>	<u>-</u>	<u>(2,167,764)</u>	<u>1,228,011</u>
Capital assets being depreciated:					
Vehicles	2,586,344	-	-	(44,000)	2,542,344
Furniture, fixtures, & equipment	89,887	20,202	-	-	110,089
Leasehold improvements	5,625	-	(5,625)	-	-
Buildings and improvements	496,396	298,332	-	2,357,579	3,152,307
Total capital assets being depreciated	<u>3,178,252</u>	<u>318,534</u>	<u>(5,625)</u>	<u>2,313,579</u>	<u>5,804,739</u>
Less accumulated depreciation for:					
Vehicles	(924,141)	(472,853)	-	62,217	(1,334,777)
Furniture, fixtures, & equipment	(21,924)	(19,682)	-	-	(41,606)
Leasehold improvements	(866)	-	866	-	-
Buildings and improvements	(33,501)	(79,061)	-	(4,745)	(117,307)
Total accumulated depreciation	<u>(980,432)</u>	<u>(571,597)</u>	<u>866</u>	<u>57,472</u>	<u>(1,493,691)</u>
Total capital assets being depreciated	<u>2,197,820</u>	<u>(253,063)</u>	<u>(4,759)</u>	<u>2,371,050</u>	<u>4,311,049</u>
Capital assets, net	<u>\$ 5,593,595</u>	<u>(253,063)</u>	<u>(4,759)</u>	<u>203,286</u>	<u>5,539,060</u>

For the years ended June 30, 2013 and 2012, depreciation expense was \$571,596 and \$555,286, respectively. In FY12 multiple vehicles were sold, as a result there was a \$4,734 loss.

As of the year ended June 30, 2013, the NCRTD had no 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, 2013 is as follows:

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2013 or 2012.

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.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

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 2013 were \$3,177 and were \$28,800 in 2012. 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. The future remaining lease payments under these agreements are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2014	\$ 5,400
2015	5,400
2016	2,250
2017	-
2018	-
Thereafter	-
Total	<u>\$ 13,050</u>

NOTE 14—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, 2013, the revolving fund balance was \$700,000 and at June 30, 2012, the revolving fund balance was \$700,000. These amounts are presented as restricted net position on the statement of net position.

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.

NOTE 16 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet 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 balance sheet, 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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2013, With Comparative Totals For 2012

conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The NCRTD has evaluated subsequent events through November 22, 2013, which is the date the financial statements were available to be issued.

NOTE 17 – RESTATEMENT

During the prior years there were capital assets that were not recorded or deleted from the capital asset listing. As a result, a prior period adjustment was required in order to add and remove items from the list. The total amount of the restatement is as follows:

Capital assets adjustment, net	\$ <u>203,286</u>
Total adjustment to net position	\$ <u><u>203,286</u></u>

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, 2013 With Comparative Totals For 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance
Operating Revenues				
Revenue				
Charges for services	\$ -	-	17,925	17,925
Operating Expenses				
Personnel services	2,529,616	2,669,051	2,380,070	288,981
Other operating expenses	5,722,738	1,161,211	1,179,988	(18,777)
Capital outlay	1,512,326	3,083,293	313,775	2,769,518
Total operating expenses	<u>9,764,680</u>	<u>6,913,555</u>	<u>3,873,833</u>	<u>3,039,722</u>
Operating income (loss)	<u>(9,764,680)</u>	<u>(6,913,555)</u>	<u>(3,855,908)</u>	<u>3,057,647</u>
Nonoperating Revenues (Expenses)				
Federal grants	2,654,582	2,654,582	1,957,128	(697,454)
State and local grants	-	-	-	-
Member local match	719,173	719,173	500,000	(219,173)
Gross receipts and other taxes	7,075,928	7,075,928	6,871,271	(204,657)
Gross receipts pass-thru to other entities	(4,157,160)	(4,157,160)	(4,327,824)	(170,664)
Interest income	-	-	3,377	3,377
Other revenue	-	-	3,010	-
Total nonoperating revenues (expenses)				
Income (loss)	<u>6,292,523</u>	<u>6,292,523</u>	<u>5,006,962</u>	<u>(1,288,571)</u>
Change in net position	<u>(3,472,157)</u>	<u>(621,032)</u>	<u>1,151,054</u>	<u>1,769,076</u>
Net position, beginning of year		<u>11,784,797</u>	<u>11,784,797</u>	
Net position, end of year	<u>\$ -</u>	<u>-</u>	<u>\$ 12,935,851</u>	

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

Change in net position-budget basis	\$	1,151,054
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis		(571,596)
Capital outlay that was capitalized on the statement of net position but not on non-GAAP Budget Basis		313,775
Gain/(loss) on sale of capital asset, taken into account on balance sheet but was not on non-GAAP Budget Basis		(4,734)
Change in net position-business type activity - full accrual basis	\$	<u>888,499</u>

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Direct from New Mexico Department of Transportation			
5311 Grant - Tribal - Formula Grants for Other Than Urbanized Areas	20.509 *	Various	\$ 43,763
5309 Grant - Federal Transit - Capital Investment Grants	20.500	N/A	9,090
Total Direct U.S. Department of Transportation			<u>52,853</u>
Passed through New Mexico Department of Transportation			
5311 Grant - Formula Grants for Other Than Urbanized Areas	20.509 *	M00917	1,182,897
5316 Grant - Job Access - Reverse Commute	20.516	M00967/1	208,762
5309 Grant - Federal Transit - Capital Investment Grants	20.500	N/A	280,000
Total Passed Through U.S. Department of Transportation			<u>1,671,659</u>
Total Expenditures of Federal Awards			<u>\$ 1,724,512</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, 2013.

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, 2013

<u>Account Name</u>	<u>Account Type</u>	Los Alamos National Bank	Bank of America	Bank Balance	Outstanding Items	Book Balance
LANB Checking *	Checking Account	\$ 6,984,601	-	6,984,601	(119,427)	6,865,174
Espanola Checking *	Checking Account	-	138,867	138,867	-	138,867
Total amount of deposit in bank		6,984,601	138,867	7,123,468	(119,427)	7,004,041
FDIC coverage		(250,000)	(138,867)	(388,867)		
Total uninsured public funds		6,734,601	-	6,734,601		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		3,367,301	-	3,367,301		
<u>Description</u>	<u>Maturity - CUSIP</u>	Pledged Market Value				
Pledged Security At:						
FHLB Dallas: FNMA One-Time Call	9/8/14 - #31398A3G5	650,000	-	650,000		
Not Designated FNMA One-Time Call	9/8/14 - #31398A3G5	350,000	-	350,000		
Not Designated: FHLB Bullet	9/12/14 - #313370JS8	1,750,000	-	1,750,000		
FHLB Dallas: FHLB Bullet	9/9/16 - #313370TW8	2,500,000	-	2,500,000		
Not Designated: FHLB Bullet	9/9/16 - #313370TW8	750,000	-	750,000		
FHLB Dallas: FHLB Bullet	9/9/16 - #313370TW8	750,000	-	750,000		
Not Designated: FHLMC Callable	9/20/16 - #3134G32D1	500,000	-	500,000		
Subtotal - Collateral		<u>7,250,000</u>	-	<u>7,250,000</u>		
Amount over/(under)/ collateralized		\$ <u>3,882,699</u>	-	<u>3,882,699</u>		
Total book balance						<u>\$ 7,004,041</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, 2013, 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>6,734,601</u>
	<u>\$ 6,734,601</u>

* = Denotes interest bearing checking

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS
For Year Ended June 30, 2013**

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.	Pueblo of Tesuque	MOA	Provide Transportation Services to Tesuque Pueblo	5311 Federal Federal Grant	4/1/2011	6/30/2013	\$ 110,000	\$ -	\$ -	Termination for Cause by either Party
2.	NMDOT	MOA	Federal Assistance for Transportation services to low income individuals	Federal - 5316 Grant	10/1/2012	9/30/2013		232,346 (1)	-	Termination for Cause by NMDOT
						Federal 5316 Local Match	232,346 232,346			
3.	NMDOT	MOA	Federal Assistance for Public Transportation in Rural and Non-Urbanized Areas	Federal - 5311 Grant	10/1/2012	9/30/2013		740,926 (1)	-	Termination for Cause by NMDOT
						Federal 5311 Local Match	1,665,040 1,207,510			
4.	NMDOT	MOA	Federal Assistance for Development of Transportation Plans	Federal Grant - 5304	11/9/2010	9/30/2012		-	-	Termination for Cause by NMDOT
						Federal Portion Local Portion	31,250 31,250			
5.	NMDOT	MOA	Federal Assistance for Replacement/Spare Rural Transit Vehicles/State of Good Repair	Federal Grant - 5309	4/11/2012	3/31/2014		70,000	-	Termination for Cause by NMDOT
						Federal Portion Local Portion	280,000 70,000			
7.	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
8.	County of Los Alamos	MOU	To Provide Local Match for Federal Grants	Los Alamos Contribution	7/1/2012	6/30/2013	500,000	-	-	Upon 30-Day Written Notice by Either Party
Total							<u>\$ 4,359,742</u>	<u>\$ 1,043,272</u>	<u>\$ -</u>	

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



INDEPENDENT AUDITORS' 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, 2013, and the budget comparison schedule for the year ended June 30, 2013 presented as supplementary information, and have issued our report thereon dated November, 22, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control 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

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. We identified no deficiencies in internal control that we consider to be significant deficiencies.

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*.

NCRTD's Response to Findings

The NCRTD's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The NCRTD's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 22, 2013



**INDEPENDENT AUDITORS' 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, 2013. 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.

Auditors' 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, 2013.

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 22, 2013

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? X Yes ___ 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 auditors' 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	Tribal - Capital, Administrative and Operating Expenses	U.S. Dept of Transportation
20.509	Capital, Administrative and Operating Expenses	U.S. Dept of Transportation

Dollar threshold use to distinguish between

A and B programs: \$300,000

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

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
As of June 30, 2013**

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								
08-04	- Controls Over Maintaining The General Ledger And Audit Report	Repeated/ Modified	Yes	No	No	Yes	No	No
12-01	Controls over Bank Accounts	Resolved	Yes	No	Yes	No	Yes	Yes
12-02	Controls over Disbursements	Resolved	Yes	No	No	No	Yes	No
12-03	Capital Asset Listing	Resolved	Yes	No	Yes	No	Yes	Yes
12-04	Identification of Federal Expenditures	Resolved	Yes	Yes	No	No	Yes	No
Current Year Findings								
None								

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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

Statement of Condition

During the audit the adjustments were made to reconcile net position, to capitalize expenses, and to move assets from an expense account to an asset account since they had not yet been received. The adjustments were as follows:

- | | |
|--------------------------------------|-------------------|
| • Increase capital assets | Approx: \$121,000 |
| • Increase accumulated depreciation | Approx: 66,000 |
| • Increase other assets | Approx: 408,000 |
| • Decrease equipment expenses | Approx: 529,000 |
| • Increase depreciation expense | Approx: 77,000 |
| • Increase unrestricted net position | Approx: \$ 11,700 |

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.

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 Finance Staff has tied out the General Ledger on a quarterly basis once it was fully staffed. The Finance Director has reviewed discrepancies with staff to clear deficiencies prior to year end. During the Audit field work an order for Capital assets of rolling stock that had been placed by the NCRTD. The rolling stock had not yet been received nor had payment been tendered to the Manufacture of the assets by the end of the fiscal year. However, the rolling stock was received in the following fiscal year and payment was made once the asset was in the possession of the NCRTD. As a result it was the Finance Departments position that since these assets were not in the possession of the NCRTD nor had payment

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

been made, that it was not appropriate to record these as a capital asset for the FY2013 year. In the future NCRTD will inquire of the auditors for guidance if a similar situation occurs.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

An exit conference was held in a closed session on November 22, 2013, at NCRTD's offices in Española, New Mexico. In attendance were the following:

Representing the NCRTD:

Anthony Mortillaro
Glenda Aragon
Pat Lopez
Michael Kelly
Geoff Rodgers
Tim Vigil
Dayna Duran

Executive Director
Finance Director
Finance Analyst
Transit Operations and Maintenance Manager
Los Alamos County Councilor
Pojoaque Tribe – Chair of Finance Subcommittee
County of Taos

Representing Hinkle + Landers, PC:

Farley Vener
Katelyn Constantin

Managing Shareholder
Audit Manager

FINANCIAL STATEMENTS

The financial statements of NCRTD as of June 30, 2013, were substantially prepared by Hinkle + Landers, PC; however, the financial statements are the responsibility of management.