



The Rogoff Firm

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS & FINANCIAL ADVISORS

North Central Regional Transit District

Financial Statements, Supplementary Information
and
Independent Auditors' Reports

June 30, 2007 and 2006

North Central Regional Transit District

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North Central Regional Transit District
June 30, 2007

Board of Directors

City of Espanola	Councilor Alfred Herrera
Los Alamos County	Chairman Jim West
Rio Arriba County	Elias Coriz
Pojoaque Pueblo	Tim Vigil
San Ildefonso Pueblo	Raymond Martinez
Ohkay Owingeh Pueblo	1 st Lt. Gov. Johnny Abeyta
Santa Clara Pueblo	Edwin Tafoya
City of Santa Fe	Councilor Miguel Chavez
Santa Fe County	Commissioner Mike Anaya
Tesuque Pueblo	Charles Dorame
Taos County	Commissioner Charlie Gonzales

Principal Employee

Josette Lucero	Executive Director
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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 North Central Regional Transit District (the "District") as of and for the year ended June 30, 2007, as listed in the table of contents. We have also audited the schedule of revenues and expenses—budget and actual presented as supplementary information for the year ended June 30, 2007, as listed in the table of contents. These financial statements and budget comparison schedule are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements and budget comparison schedule based on our audit. The 2006 financial statements and budget comparison schedule were audited by other auditors whose report dated August 27, 2007, expressed an unqualified opinion on those statements and the schedule.

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 opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2007, and the changes in its financial positions and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the 2007 budget comparison schedule referred to above presents fairly, in all material respects, the budget comparison of the District for the year ended June 30, 2007, 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 October 28, 2008, on our consideration of the District's internal control over financial reporting and our tests of their 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 accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

REDWLLC

October 28, 2008

North Central Regional Transit District

Management's Discussion and Analysis

For the Years Ended June 30, 2007 and 2006

This discussion and analysis presents an overview of the financial performance of North Central Regional Transit District (the "District") during the years ended June 30, 2007 and 2006. It is intended to be read in conjunction with the financial statements, which follow this section.

The North Central Regional Transit District was established in September 2004 to serve the public by providing for the creation of regional networks of safe and efficient public transit services. Operations of the District commenced in May 2005. The District operates as a separate governmental entity with the City of Santa Fe acting as fiscal agent. The District uses proprietary fund accounting and records revenues when earned and expenses when incurred.

Financial Highlights

- ◆ During the years ended June 30, 2007 and 2006, net assets of the District's activities increased by \$521,715 and \$699, respectively.
- ◆ Revenues from granting agencies were \$978,741 for fiscal year 2007. This represents a 623% increase from last year's \$135,444 amount. Revenues from granting agencies were \$135,444 for fiscal year 2006. This represents a 547% increase in grant revenue from the two months ending June 30, 2005's \$20,936 amount.
- ◆ Expenses of the District were \$461,092 for fiscal year 2007. This amount represents a 242% increase in operating expenses from last year's \$134,745 amount. The overall increase in operating expenses for fiscal year 2007 was primarily due to the ramping up of business as well as the increased costs of personnel and fuel. Expenses of the District were \$164,661 for fiscal year 2006 and the two months ending June 30, 2005. The overall increase in operating expenses was primarily due to the increased costs of ramping up business.

Overview of Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis
2. The basic financial statements
3. Notes to the basic financial statements
4. Supplementary information

Financial Statements

The statements of net assets present the District's assets and liabilities at fiscal year-end. The term "net assets" refers to the difference between total assets and total liabilities. It is an indicator of the District's current financial condition. The change in the net assets over time is an indication of either improvement or deterioration of the financial condition of the District.

North Central Regional Transit District
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

The statements of revenues, expenses and changes in net assets provide the results of the District's operations and other changes of net assets during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued liabilities).

The statements of cash flows provide information about the District's sources and uses of cash throughout each fiscal year. Sources and uses of cash are classified into four categories: operating, noncapital financing, capital and related financing, and investing. The statements assist in determining if the entity has the ability to generate sufficient cash flows to meet its obligations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by supplementary information, including the budgetary comparison schedule.

Fiscal Agent

The City of Santa Fe (the "City") is the fiscal agent for the District. The fiscal agency relationship with the City ended on the last day of the financial period covered by this audit.

Financial Analysis of the District

Net Assets. The net assets increased to \$520,434 at June 30, 2007 compared to \$(1,281) at June 30, 2006. Table 1 summarizes the net assets of the District.

North Central Regional Transit District
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

Table 1
Net Assets
As of June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 709,327	\$ 17,547	\$ 83,590
Current liabilities	\$ 188,893	\$ 18,828	\$ 85,570
Net assets			
Restricted	196,657	-	-
Unrestricted	323,777	(1,281)	(1,980)
Total net assets	520,434	(1,281)	(1,980)
Total liabilities and net assets	\$ 709,327	\$ 17,547	\$ 83,590

Changes in Net Assets. Total nonoperating revenues for the year ended June 30, 2007, were \$982,807 compared with expenses of \$461,092. Total nonoperating revenues for the year ended June 30, 2006, were \$135,444 compared with expenses of \$135,745. Total nonoperating revenues for the two months ended June 30, 2005, were \$20,936 compared with expenses of \$22,916. Table 2 summarizes the changes in net assets for 2007, 2006, and 2005. Increases were the result of the ramping up of business operations.

Table 2
Changes in Net Assets

	<u>Years Ended June 30,</u>		<u>Two months</u>
	<u>2007</u>	<u>2006</u>	<u>ended June 30,</u>
			<u>2005</u>
Operating expenses	\$ 461,092	\$ 134,745	\$ 22,916
Operating loss	(461,092)	(134,745)	(22,916)
Nonoperating revenues			
Grants and contributions	978,741	135,444	20,936
Investment income	4,066	-	-
Total nonoperating revenue	982,807	135,444	20,936
Change in net assets	521,715	699	(1,980)
Net assets, beginning of year	(1,281)	(1,980)	-
Net assets, end of year	\$ 520,434	\$ (1,281)	\$ (1,980)

North Central Regional Transit District
Management's Discussion and Analysis
For the Years Ended June 30, 2007 and 2006

Budget Information. The Board of Directors approves the budget. The District makes every effort to ensure operational expenses do not exceed funds available. Budget to actual tables are summarized in the supplementary information section.

Actual results varied from budgeted amounts primarily because services were expected to start in fiscal year 2007 and did not begin until the following year.

Economic Outlook

Changes in the general economic conditions for the City of Santa Fe and the surrounding area influence the economic condition of the District. The regional area has been fortunate in enjoying another period of economic expansion.

For fiscal year 2007/2008 the economic outlook is positive for transit services. Increases in fuel prices will spur demand for commuter services. Other commuter services are set to come on line in the next two years and will promote more usage of the services.

In summary, the region is anticipated to experience moderation from the rapid pace of growth seen since 2000.

Contacting the Management

The financial report is designed to provide the community and others with a general overview of the District's finances and demonstrate its accountability for the money it receives. Questions about this report or requests for additional information may be addressed to:

North Central Regional Transit District
3600 Rodeo Lane, Suite B-6
Santa Fe, NM 87507
(505) 438-3257

Basic Financial Statements

North Central Regional Transit District
Statements of Net Assets
June 30,

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 588,489	\$ 16,178
Grants receivable	<u>120,838</u>	<u>1,369</u>
Total assets	<u><u>\$ 709,327</u></u>	<u><u>\$ 17,547</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 89,899	\$ 11,815
Due to the City of Santa Fe	79,181	-
Accrued liabilities	<u>19,813</u>	<u>7,013</u>
Total liabilities	188,893	18,828
Net assets		
Restricted	196,657	-
Unrestricted	<u>323,777</u>	<u>(1,281)</u>
Total net assets	<u><u>520,434</u></u>	<u><u>(1,281)</u></u>
Total liabilities and net assets	<u><u>\$ 709,327</u></u>	<u><u>\$ 17,547</u></u>

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

North Central Regional Transit District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30,

	<u>2007</u>	<u>2006</u>
Operating Expenses		
Salaries and wages	\$ 230,424	\$ 100,780
Professional services	147,686	20,255
Equipment	34,355	4,079
Travel	19,819	4,627
Supplies	9,914	2,521
Other operating costs	8,142	67
Telecommunications	7,878	2,416
Printing and publishing	<u>2,874</u>	<u>-</u>
Total operating expenses	<u>461,092</u>	<u>134,745</u>
Operating loss	<u>(461,092)</u>	<u>(134,745)</u>
Nonoperating Revenues		
Department of Transportation grant	356,040	120,129
Other grants	622,701	15,315
Interest income	<u>4,066</u>	<u>-</u>
Total nonoperating revenues	<u>982,807</u>	<u>135,444</u>
Change in net assets	521,715	699
Net assets, beginning of year	<u>(1,281)</u>	<u>(1,980)</u>
Net assets, end of year	<u><u>\$ 520,434</u></u>	<u><u>\$ (1,281)</u></u>

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

North Central Regional Transit District
Statements of Cash Flows
For the Years Ended June 30,

	2007	2006
Cash flows from operating activities		
Cash paid to suppliers	\$ (73,403)	\$ (21,642)
Cash paid to employees	<u>(217,624)</u>	<u>(100,780)</u>
Net cash used in operating activities	(291,027)	(122,422)
Cash flows from noncapital financing activities		
Cash received from grants and agreements	859,272	55,010
Cash flows from investing activities		
Interest received	<u>4,066</u>	<u>-</u>
Net increase (decrease) in cash	572,311	(67,412)
Cash, beginning of year	<u>16,178</u>	<u>83,590</u>
Cash, end of year	<u><u>\$ 588,489</u></u>	<u><u>\$ 16,178</u></u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (461,092)	\$ (134,745)
Adjustments to reconcile net loss to net cash used in operating activities		
Change in operating liabilities		
Other liabilities	-	2,432
Accounts payable, accrued liabilities and due to City of Santa Fe	<u>170,065</u>	<u>9,891</u>
Net cash used in operating activities	<u><u>\$ (291,027)</u></u>	<u><u>\$ (122,422)</u></u>

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

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

1) Organization and Operations

The North Central Regional Transit District (the “District”) was established in September 2004, and operations of the District commenced in May 2005. The purpose of the District is to:

- A. Serve the public by providing for the creation of regional networks of safe and efficient public transit services;
- B. Allow multijurisdictional 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.

Operations of the District commenced in May 2005.

The District is governed by a Board consisting of members from each of the participating districts. The District has no component units.

2) Summary of Significant Accounting Policies

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

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Proprietary Fund Accounting

The District follows proprietary fund accounting. Proprietary funds are accounted for using the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District 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 District has elected not to apply FASB statements and interpretations issued after November 30, 1989. In addition, when both restricted and unrestricted net assets are available to finance the District's operations, it is the District's policy to first apply restricted net assets to such expenses, followed by unrestricted net assets.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District will be user fees generated from transportation services; however, as of June 30, 2007, the District is still in the development stage and, therefore, has no operating revenues. 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. The District first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available

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.

Assets, Liabilities and Net Assets

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

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Assets, Liabilities, and Net Assets — continued

Capital Assets—Capital assets will be recorded at cost. The District’s policy is to capitalize all assets with a cost of \$5,000 or greater, and to depreciate the assets using the straight-line method over the following estimated useful lives of the assets. No property, plant and equipment purchases met the capitalization threshold in 2007 or 2006.

Compensated Absences—The District’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 District 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 are recorded as an expense and a liability of the District. At June 30, 2007 and 2006, the liability for compensated absences was \$9,136 and \$2,713, respectively, and is included in the statement of net assets line captioned accrued liabilities.

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 District has incurred an allowable expenditure under the terms of the grant agreement. Other grant revenue consists of grants from members of the District, to include monies for which the District must match (through user fees or other grants) at least one dollar for every four dollars provided by the Department of Transportation grant.

Budgets

The District’s budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenses.

New Mexico State law prohibits the District from making an expenditure in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2006/2007 budget has been legally adopted.

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

3) Cash and Cash Equivalents

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy is to require collateralization of 50% of the uninsured portion of the District’s deposits with financial institutions, in accordance with state statute. The District opened a checking account at Los Alamos National Bank in May 2007. The book balance of that account at June 30, 2007 was \$559,590, and the bank balance was \$560,329. Of the bank balance, \$100,000 was insured by the FDIC and the remainder was collateralized by a FHLB Letter of Credit for \$600,000 held by Los Alamos National Bank. Thus, at June 30, 2007, the District’s deposits were not exposed to custodial credit risk.

Cash and Cash Equivalents Held by the City of Santa Fe. All other cash and cash equivalents are maintained in a common pooled account by the City of Santa Fe. Cash and cash equivalents consisted of \$28,899 and \$16,178, invested in a common pooled account maintained by the City of Santa Fe as of June 30, 2007 and 2006, respectively. The City of Santa Fe invests its pooled cash into U.S. Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer’s investment pool, and U.S. Government security mutual funds.

4) Grants Receivable

As of June 30 the District had the following amounts that were classified as grants receivable:

	2007	2006
Federal	\$ 53,525	\$ 1,369
Other governments	67,313	-
Total	\$ 120,838	\$ 1,369

Management considers the grants receivable to be fully collectible.

5) Economic Dependence

The District entered into a memorandum of agreement with the New Mexico Department of Transportation (NMDOT) on February 9, 2005, in order to hire staff, and establish and develop a Preliminary Service Plan. Terms of the agreement include the NMDOT providing \$250,000 for this project, which terminated on December 31, 2007.

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

6) PERA Pension Plan

Substantially all of the District'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 multi-employer defined benefit retirement plan. The plan provides for retirement, 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.

Funding Policy

The District 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 District is required by state statute to contribute 9.15% of the gross covered salary.

The contribution requirement for plan members and the City of Santa Fe is established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District has paid 100% of the required contributions to PERA for the year ending June 30, 2007 and 2006. The contributions were \$15,535 and \$6,613, respectively.

7) Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The District, through the City of Santa Fe, 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 the event the time period

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

7) Post-Employment Benefits – State Retiree Health Care Plan — continued

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.

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 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 District's contributions to the RHCA for the years ended June 30, 2007 and 2006 were \$6,659 and \$2,835, respectively, which equal the required contributions for each year.

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

7) **Post-Employment Benefits – State Retiree Health Care Plan — continued**

Until December 31, 2005, District employees were covered under the City of Santa Fe's Retiree Health Care Program. The City of Santa Fe was responsible for the claims from July 1, 2005 through December 31, 2005. Effective January 1, 2006, District employees were covered completely under the RHCA plan and the City of Santa Fe's program was defunct.

8) **Fiscal Agent Agreement**

In September 2004, the District entered into an agreement with the City of Santa Fe to act in the capacity as fiscal agent for the District. Duties of the City of Santa Fe include maintaining fiscal records, establishment of a uniform system of accounts, receiving and recording cash deposits, providing accountability of all disbursements, recording accounts receivable, recording capital assets, maintaining a general ledger and preparing financial statements. The City of Santa Fe also provides services to review bids, make bond payments, and maintain personnel and payroll records.

The agreement states that the City of Santa Fe may be compensated for services provided by administrative staff. The City of Santa Fe uses calculations in a manner similar to its method to allocate general fund services to its enterprise funds to determine these administrative costs. The administrative costs allocated for the years ended June 30, 2007 and 2006, were \$37,079 and \$20,255, respectively.

9) **Risk Management**

The District is insured through the City of Santa Fe's policy for general liability with a deductible of \$25,000 for each occurrence.

The District participates in the Santa Fe Health Fund Workers' Compensation Fund and the Retiree Health Care Fund, which are self-insured programs administered by the City of Santa Fe that account for the self-insured program for employee health and major medical benefits. The District makes pro rata payments to the City of Santa Fe based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses.

Claims are handled by a professional third-party claims administrator. The City of Santa Fe maintains specific stop-loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit.

North Central Regional Transit District
Notes to Financial Statements
June 30, 2007 and 2006

9) **Risk Management — continued**

The Workers' Compensation Fund accounts for the self-insured program and for workers' compensation coverage. Claims are handled by a third-party claims administrator. The City of Santa Fe maintains specific stop-loss coverage for individual claims in excess of \$350,000 with a \$1,000,000 statutory limit.

10) **Commitments**

On June 1, 2005, the District entered into a lease agreement for office space. The terms of this lease require the District to pay \$975 per month, with the term expiring on May 31, 2007, the leases was then extended until October 31, 2007. Prior to this lease agreement, the District was using office space provided by the Pojoaque Pueblo, a related party, at no charge.

11) **Restricted Net Assets**

On March 20, 2007, an agreement between the District and Los Alamos County was reached where funding in the amount of \$1,600,000 was awarded to the District to fund operations. Of the total, \$500,000 was received in fiscal year 2007 and \$1,100,000 was received in fiscal year 2008. As part of the agreement, the District is to maintain a revolving fund for working capital and maintained in perpetuity through reimbursement from other revenue sources, including federal grants. At June 30, 2007, the revolving fund balance was \$196,657, and is presented as restricted net assets on the statement of net assets.

Supplementary Information (Audited)

North Central Regional Transit District
Schedule of Revenues and Expenses
Budget and Actual
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Grant revenues and other	\$ 1,369,521	\$ 1,369,521	\$ 982,807	\$ (285,947)
Expenses				
Salaries and wages	471,642	471,642	230,424	241,218
Professional services	690,167	690,167	147,686	542,481
Equipment	76,211	76,211	34,355	41,856
Travel	26,640	26,640	19,819	6,821
Supplies	50,646	50,646	9,914	40,732
Other operating costs	32,547	32,547	8,142	24,405
Telecommunications	19,650	19,650	7,878	11,772
Printing and publishing	11,429	11,429	2,874	8,555
Total expenses	<u>1,378,932</u>	<u>1,378,932</u>	<u>461,092</u>	<u>917,840</u>
Change in net assets	<u>\$ (9,411)</u>	<u>\$ (9,411)</u>	<u>\$ 521,715</u>	<u>\$ 631,893</u>

North Central Regional Transit District
Schedule of Revenues and Expenses
Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
Revenues				
Grant revenues	\$ 250,000	\$ 250,000	\$ 135,444	\$ (114,556)
Expenses				
Salaries and wages	133,085	133,085	100,780	32,305
Professional services	24,481	24,481	20,255	4,226
Travel	4,500	4,500	4,627	(127)
Equipment	38,650	38,650	4,079	34,571
Supplies	8,097	8,097	2,521	5,576
Telecommunications	10,000	10,000	2,416	7,584
Other operating costs	25,625	25,625	67	25,558
Printing and publishing	<u>5,400</u>	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Total expenses	<u>249,838</u>	<u>249,838</u>	<u>134,745</u>	<u>115,093</u>
Change in net assets	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ 699</u>	<u>\$ 537</u>

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 Trustees 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 North Central Regional Transit District (the “District”) as of and for the year ended June 30, 2007, and the budget comparison schedule for the year ended June 30, 2007 presented as supplementary information, and have issued our report thereon dated October 28, 2008. 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 District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the

entity's internal control. A control deficiency that we consider to be a significant deficiency is described in the accompanying schedule of 2007 audit findings as item FS 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

In addition, the results of our tests disclosed a matter that is required to be reported under New Mexico State Auditor Rule 2 NMAC 2.2., *Requirements for Contracting and Conducting Audits of Agencies*, which is described in the accompanying schedule of state auditor rule findings as item SA 07-1.

The District's responses to the findings identified in our audit are described in the accompanying schedule of 2007 audit findings and schedule of state auditor rule findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the boards of trustees, management, others within the District, the New Mexico Office of the State Auditor, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

REDWLLC

October 28, 2008

North Central Regional Transit District
Schedule of 2007 Audit Findings
For the Year Ended June 30, 2007

FS 07-1 — Missing Disbursement Documentation

Criteria or Specific Requirement: Good internal controls require that all accounting transactions be supported by appropriate backup documentation and evidence of approval.

Condition: Late in fiscal year 2007, the District took over responsibility from the City of Santa Fe for processing disbursements from its own bank account and accounting system. The District was unable to provide supporting documentation for one of the five selected disbursements during May and June 2007.

Cause: Supporting documentation could not be located.

Effect: There is no evidence that the disbursements were for legitimate business expenses or approved by appropriate members of management.

Recommendation: Maintain documentation showing approval and supporting the business purpose for all disbursements.

Management Response: We have established new procedures for ensuring that all filing is maintained to a higher standard going forward.

North Central Regional Transit District
Schedule of State Auditor Rule Findings
For the Year Ended June 30, 2007

The following finding is reported in accordance with the New Mexico State Audit Rule 2 NMAC 2.2., *Requirements for Contracting and Conducting Audits of Agencies*.

SA 07-1 — Due Date of Audit Report (Prior Year Finding 06-1)

Criteria or Specific Requirement: According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements are due by December 1 following the fiscal year-end.

Condition: The District's 2007 audit report was not filed with the State Auditor by the due date.

Cause: The audit contract was not issued timely.

Effect: The District's 2007 audited financial statements were not available for review by potential users of the financial statements, such as legislators, state and federal grantors, etc. Also, late audit reports could impact the entity's existing and future federal funding levels.

Recommendation: We recommend that contracts relating to professional services are approved and issued on a timely fashion.

Management Response: The prior year audit, which was conducted as part of the City of Santa Fe audit, was late. We were informed after the fact, through an audit finding, that we could not combine our audit with the City of Santa Fe's and so had to seek our own audit firm, which further delayed the start of our Fiscal Year 2007 audit process. These two factors caused the Fiscal Year 2007 audit to be late in starting. This in turn will cause our Fiscal Year 2008 audit to be late, but we hope to be able to submit a timely audit by Fiscal 2009.

North Central Regional Transit District
Current Status Schedule of 2006 Audit Findings
For the Year Ended June 30, 2007

Prior-Year Number	Description	Current Status
06-1	Due Date of Audit Report	Not resolved. Repeated as SA 07-1
06-2	No Prior Approval on Audit Services	Resolved

North Central Regional Transit District
Other Disclosures
For the Year Ended June 30, 2007

Exit Conference

A closed meeting exit conference was held on October 17, 2008, with the following attending:

North Central Regional Transit District

Board Member

Alfred Herrera

Management

Josette Lucero, Executive Director

Marjorie Kaplan, Finance Director

REDW_{LLC}

Chris Tyhurst, Principal

Nicole Hinze, Senior Accountant

Financial Statement Preparation

The District's independent public accountants prepared the accompanying financial statements; however, the District is responsible for the financial statement and footnote content.