

**NORTH CENTRAL REGIONAL
TRANSIT DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2017

NORTH CENTRAL REGIONAL TRANSIT DISTRICT

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT

OFFICIAL ROSTER

Board Members

Daniel R. Barrone, Chair	Mayor	Town of Taos
Joseph Maestas, Vice Chair	Commissioner	City of Santa Fe
Dennis Tim Salazar, Treasurer	Councilor	City of Espanola
Antonio Maggiore	Councilor	Los Alamos County
Ed Moreno	Commissioner	Santa Fe County
Jim Fambro	Commissioner	Taos County
Alex Naranjo	Commissioner	Rio Arriba County
Chuck Ring	Councilor	Town of Edgewood
Anna Sanchez	Facilities Director	Pojaque Pueblo
James Baca	Tribal Sheriff	Santa Clara Pueblo
Lillian Garcia	Planning Director	San Idelfonso Pueblo
Christy Van Buren	Planning Manager	Ohkay Owingeh Pueblo
Arnold Garcia	Lieutenant Governor	Nambe Pueblo
Charles Dorame	Former Governor	Tesuque Pueblo

Administration

Anthony Mortillaro	Executive Director
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FINANCIAL SECTION



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Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

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, 2017, 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 schedule presented as required supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the NCRTD as of June 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion the financial statements referred to above present fairly in all material respects, the budgetary comparisons presented as required supplementary information of NCRTD for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, page numbers 5 to 15, schedule of NCRTD's proportionate share of the net pension liability, page number 43, and schedule of NCRTD's contributions, page number 44, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NCRTD's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of pledged collateral, as required by the New Mexico State Audit Rule, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, and schedule of pledged collateral are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

federal awards, schedule of capital outlay appropriations, schedule of cash and investments, and schedule of pledged collateral are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The introductory section required by the New Mexico State Audit Rule are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The financial statements of the NCRTD, as of and for the year ended June 30, 2016, were audited by other auditors, whose report, dated November 18, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2017, 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 NCRTD's internal control over financial reporting and compliance.

Ricci & Company LLC
Albuquerque, New Mexico
December 11, 2017

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the District's financial performance and activity for the fiscal year ended June 30, 2017. The following discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto.

This MD&A is based on the 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 only be considered as part of a greater whole. The reader of this MD&A should take the time to read and evaluate all sections of this report, including the notes to financial statements and other supplementary information provided. Additional information outside the scope of this analysis can be found in the Letter of Transmittal.

Fiscal Year 2017 Financial Highlights

- The District's total assets/deferred outflows of resources as of June 30, 2017, increased by \$3,372,725 or 19.50% from \$17,299,380 (as restated) in FY2016 to \$20,672,105 in FY2017.
- The District's total liabilities/deferred inflows of resources at June 30, 2017, increased by \$2,423,569 or 82.72% from \$2,929,872 to \$5,353,441 from the prior year. This is due to a significant increase in the District's pension liability.
- The District had an increase of 46% in accounts payable, total payables were \$439,692 as compared to FY2016 overall payables of \$301,910. The increase is related to expenses related to equipment purchases made before year end.
- The District had an increase of 45.41% in accounts receivable, overall receivables were \$1,295,420 as compared to FY2016 overall receivables of \$890,861, this was due from New Mexico Department of Transportation for a capital project on bus shelters completed prior to June 30, 2017.
- The net position of the District (assets/deferred outflows of resources less liabilities/deferred inflows of resources) at June 30, 2017, increased 6.60% or \$949,074 from \$14,369,508 to \$15,318,573 from the prior year due to an increase of federal grant revenue, a slight increase in operating revenue and a restatement entry of \$121,474 from the prior year.
- At June 30, 2017, total net position of \$6,660,965 was unrestricted. This is a decrease of \$347,544 from FY2016's unrestricted restated net position of \$7,008,509.
- The investment in capital assets was \$8,657,608, which is an increase of 17.61% or \$1,296,618. The increase is due to the purchase of fourteen (14) replacement buses, implementation of a voice activation system, mobile data terminals and a new copier.
- Total operating and non-operating revenues increased 2.44%, from \$7,090,239 in FY2016 to \$7,263,392 during FY2017, a difference of \$173,153.
- Gross receipt tax had a slight decrease of \$105,313 from \$7,673,654 in FY2016 to \$7,568,341 in FY2017; this is a reflection of a stable economy in the four counties that we serve. The decrease is related to fluctuating spending by LANL.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

The Financial Statements

This Financial Report consists of four sections: introductory, financial, compliance, and other supplementary information.

The introductory section includes a list of principal officials.

The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information, and individual Supplemental Schedules to clarify the Financial Statements.

The Compliance Section is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Super Circular, Audits of State, Local Governments and Non-profit Organizations. It also includes the auditor's reports on compliance and internal controls, compliance findings for the current and previous audits, and if applicable, management plans to rectify future findings.

The Other Supplementary information section includes schedules and reports that are required specifically in the State of New Mexico by the Office of the State Auditor to ensure the District's compliance with state statutes and regulations applicable to special districts of New Mexico.

Financial Section Overview

This management discussion and analysis, which is preceded by the Independent Auditor's Report, is intended to serve as an introduction to the Financial Section. It is followed by three additional parts – the basic financial statements, required supplementary information, and individual schedules.

The Independent Auditor's Report reflects the results of the external audit. The auditor expresses an opinion on whether the financial statements have been presented in conformity with Generally Accepted Accounting Principles (GAAP).

The basic financial statements of the District are comprised of two components: (1) government-wide financial statements and (2) notes to the financial statements. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The District is structured as a single enterprise fund with revenues recognized when earned and measurable, not when they are received. Expenses are recognized when they are incurred, not when they are paid. Capital assets are capitalized and depreciated over their estimated useful lives. Land is capitalized but is not depreciated.

The required supplementary information includes discussion and analysis of the "Schedule of the District's Proportionate Share of the Net Pension Liability of the New Mexico Public Employee Retirement Association (PERA) System.

Government-wide Financial Statements

The government-wide financial statements report information about the District using accounting methods similar to those found in the private sector. They also report the District's net position

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NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

and changes occurred during the fiscal year. These statements provide both short and long-term information about the District's overall financial status.

The financial statements, as listed in the Table of Contents, presented by the District are:

1. The Statement of Net Position
2. The Statement of Revenues, Expenses, and the Changes in Net Position
3. The Statement of Cash Flows

The Statement of Net Position presents information on all the District's assets and deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the categories reported as net position. Net position is the residual amount remaining after liabilities and deferred inflows are deducted from the balance of assets and deferred outflows, and provides a measure of the District's financial health or financial condition. Typically, net position increases when revenues exceed expenses, however, increases in assets and deferred outflows of resources without a corresponding increase to liabilities and deferred inflows of resources result in increased net position, which indicates improved financial position. Over time, changes in net position may serve as an indicator of whether the District's financial condition is improving or declining. Other non-financial factors will also need to be considered, such as changes in the gross receipt tax base and the condition of the District's facilities and vehicles.

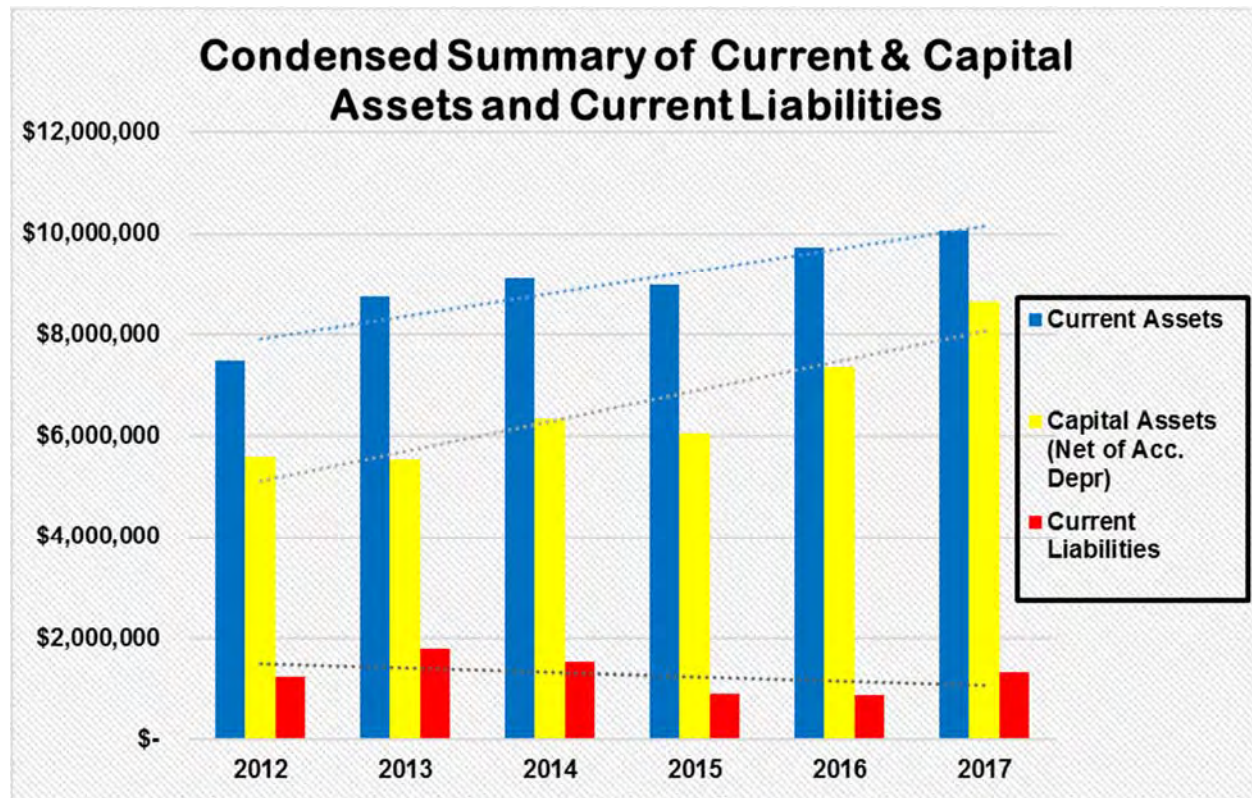
The Statement of Revenue, Expenses and Change in Net Position presents information using the accrual basis of accounting and shows how the District's net position changed during the fiscal year. Under this basis of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. The Statement of Revenue, Expenses and Change in Net Position presents operating revenues before operating expenses, with non-operating revenues (expenses) presented after. This emphasizes that the government's revenues are generated for the express purpose of providing services. In addition, these statements list grant revenues received from federal, state, and local governments.

The Statement of Cash Flows allows financial statement users to assess the District's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories:

1. Cash flows from operating activities
2. Cash flows from non-capital financing activities
3. Cash flows from capital and related financing activities
4. Cash flows from investing activities

The notes to the financial statements, as listed in the Table of Contents, provide additional information essential to fully understand the data provided in the financial statements.

STATE OF NEW MEXICO
 NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 JUNE 30, 2017 AND 2016



	2017	2016	Increase (Decrease)	
			Amount	%
Assets				
Current assets	\$ 10,079,807	\$ 9,739,051	340,756	3.50%
Noncurrent assets	8,658,138	7,361,040	1,297,098	17.62%
Total assets	18,737,945	17,100,091	1,637,854	9.58%
Deferred outflows of resources	1,934,069	199,280	1,734,789	870.53%
Total assets and deferred outflows of resources	20,672,014	17,299,371	3,372,643	19.50%
Liabilities				
Current liabilities	1,337,302	894,024	443,278	49.58%
Noncurrent liabilities	3,972,730	1,984,590	1,988,140	100.18%
Total liabilities	5,310,032	2,878,614	2,431,418	84.46%
Deferred inflows of resources	43,409	51,258	(7,849)	-15.31%
Total liabilities and deferred inflows of resources	5,353,441	2,929,872	2,423,569	82.72%
Net Position				
Net investment in capital assets	8,657,608	7,360,990	1,296,618	17.61%
Unrestricted	6,660,965	7,008,509	(347,544)	-4.96%
Total net position	\$ 15,318,573	\$ 14,369,499	949,074	6.60%

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NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows

The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,318,573 as of June 30, 2017, which is a \$949,074 increase from year ended June 30, 2016. Assets and deferred outflows of resources exceeded liabilities by \$15,361,982 for the year ended June 30, 2017, which was an increase of \$941,225 from year ended, June 30, 2016. The largest portion of the District's net position reflects investment in capital assets, (buses, shelters, and operating facilities), net of accumulated depreciation. These capital assets are used by the District to provide public transportation services for the citizens of Santa Fe, Los Alamos Rio Arriba, and Taos counties. During 2017, costs associated with acquisition of assets totaled \$ 2,392,940. Major projects included the following:

- Replacement of 14 buses in the fleet
- Installation of a backup generator at our main facility in Española
- ADA Improvements for a selection of bus stops throughout the system
- Installation of our Intelligent Transit System in all buses acquired
- Implementation of the Interactive Voice Response System
- Installation of mobile data terminals
- Purchase of a new copier

Readers desiring more detailed information on the District's capital assets related activities should read Note 11 - Capital Assets, which is included in the notes to the financial statements

Change in Net Position

Net Position consist of three key areas, investment in capital assets, unrestricted, and restricted.

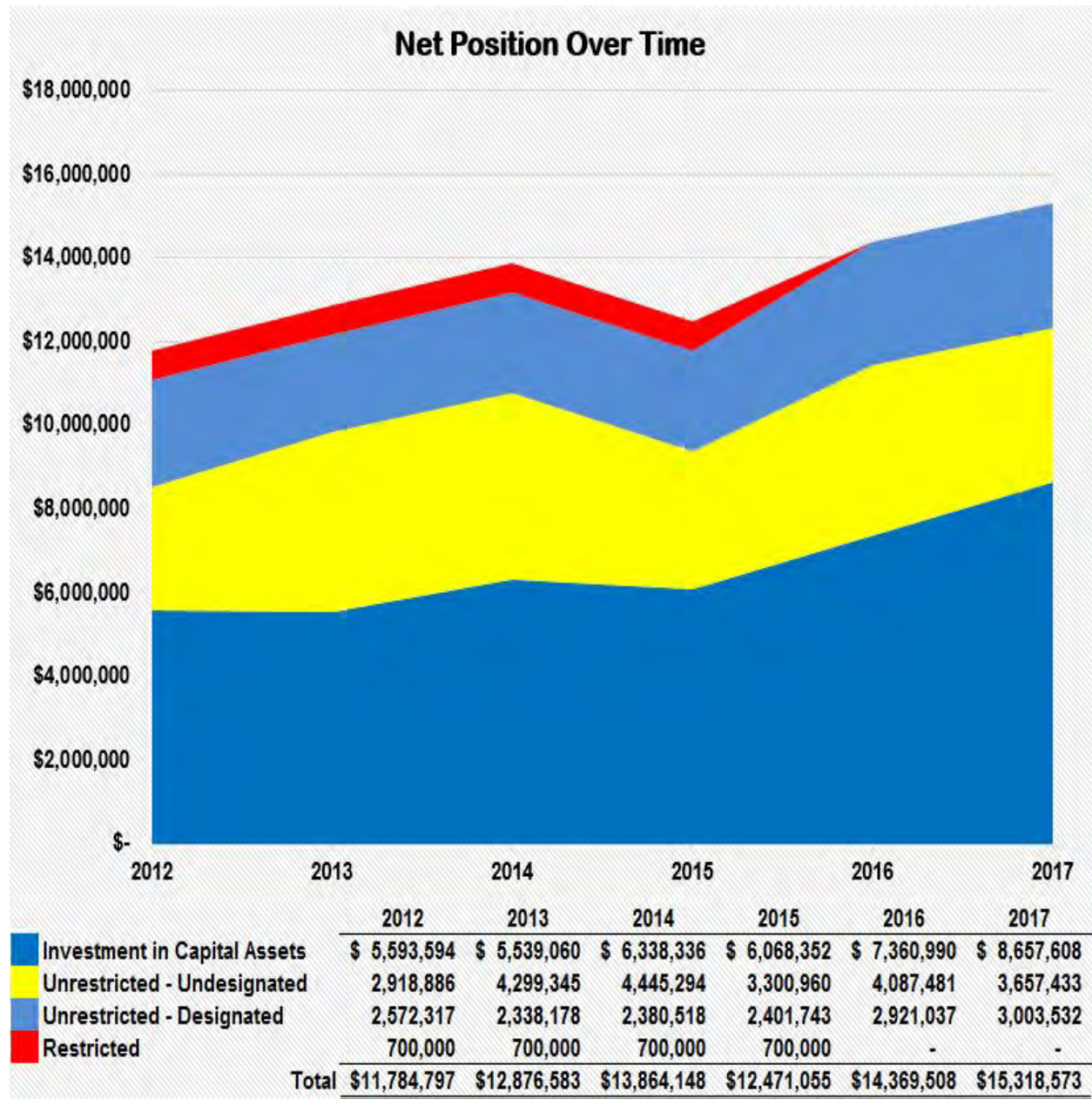
Investment in Capital Assets – Represents the total investment in capital assets by the District less the reduction of accumulated depreciation

Unrestricted – Represents the remaining balance of assets (excluding capital assets) less liabilities of the District and further restricted balances. The District further designates the unrestricted net position in Note 20 of the notes to the financial statements:

- Designated – Represents the Board's commitment through financial policies to always hold 25% of revenues as unobligated cash for financial stability of the District
- Undesignated – Represents the remaining balance of unrestricted net position for future budget needs of the District in accordance with existing policy of the use of fund balance.

Restricted – Represents the Board's contractual commitments to any other local governing bodies, districts, or organization. The County does not have any restricted fund as of June 30, 2017.

STATE OF NEW MEXICO
 NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 JUNE 30, 2017 AND 2016



**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Summary of Revenues, Expenses and Net Position

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Operating revenues				
Charges for Services	\$ 140,488	\$ 102,092	38,396	37.61%
Non Operating revenues by major source				
Grants and local match	4,213,188	3,849,256	363,932	9.45%
Gross receipts and other taxes	7,568,341	7,673,654	(105,313)	-1.37%
Investment and interest	25,165	31,872	(6,707)	-21.04%
Capital contributions	-	591,109	(591,109)	-100.00%
Miscellaneous	40,080	27,273	12,807	46.96%
Total revenues	<u>11,987,262</u>	<u>12,275,256</u>	<u>(287,994)</u>	<u>-2.35%</u>
Operating expenses				
Employee salaries and benefits	4,011,384	3,385,146	626,238	18.50%
Professional services	250,893	320,673	(69,780)	-21.76%
Training and licenses	64,626	55,444	9,182	16.56%
Insurance and utilities	187,020	208,943	(21,923)	-10.49%
Materials and supplies	6,826	5,027	1,799	35.79%
Transit	45,562	50,831	(5,269)	-10.37%
Equipment, repairs and maint	892,676	747,756	144,920	19.38%
Other	10,928	6,015	4,913	81.68%
Depreciation	844,403	727,836	116,567	16.02%
Non Operating expenses				
Contributions	4,708,159	4,588,079	120,080	2.62%
Disposal of assets	15,711	5,829	9,882	169.53%
Total expenses	<u>11,038,188</u>	<u>10,101,579</u>	<u>936,609</u>	<u>9.27%</u>
Change in Net Position	<u>949,074</u>	<u>2,173,677</u>	<u>(1,224,603)</u>	<u>-56.34%</u>

Revenues

Total revenues decreased \$287,994 or 2.35 %, from \$12,275,256 in FY2016 to 11,987,262 in FY2017. Increases are described below:

- Charges for Services (program revenue) – Farebox receipts and demand fares are included within this caption; along with insurance proceeds and other program specific revenues. Charges for services revenue for the year ended June 30, 2017 increased by \$38,396 (37.61%) compared with year ended June 30, 2016. This increase is attributed to a full year of service for the Mountain Trail Route year round, which is 1 of the 6 services for which we charge fares for and is a popular route for tourists and visitors.
- State/Local Grants and Reimbursements – The District's service area encompasses the eight northern pueblos of New Mexico and the Jicarilla Apache Nation. Five of the them receive tribal transit funds from the Federal Transit Administration (FTA) 5311(c) Program.

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NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

The District serves as their operator for these routes. These pueblos remit all funds collected for public transit from the FTA to the District to fully or partially fund the routes that serve their pueblos. This category also includes state legislature bills passed yearly to cover capital bus purchases for District. In the year ended June 30, 2017, the District received \$234,119 from the pueblos, an increase from the year ended June 30, 2016 of \$38,124. Tribal funds were sporadic prior to FY2016 and were not a reliable funding source for the District. In FY2016, the pueblos served by the District, started receiving more consistent formula-based allocation so related revenue will be more consistent in the future. State Capital Outlay for bus purchases and other uses is still sporadic and undependable due to the State of New Mexico's budget shortfalls; hence the decline in revenue of \$287,994.

- Federal Grants and Reimbursements – The District receives administrative, operational, and capital reimbursement funds from the New Mexico Department of Transportation, the administrator of 5311 Rural Transit funds received from the FTA. These reimbursements typically cover a portion of salary and maintenance costs of certain routes. Most of our current bus fleet has been acquired with federal funds, along with our intelligent transit system software. For the years ended June 30, 2017, the District received \$3,389,439 as compared to the year ended June 30, 2016 which only received \$2,845,795. The difference of \$543,644 is attributed to capital bus replacements that were ordered in FY2016 but received in FY2017 due to manufacturing delays.
- Gross Receipts and Other Taxes – Gross Receipts Taxes comes from a dedicated 1/8th cent tax, levied in all four counties we serve. Gross receipt and other tax revenue accounted for 63% of the District's revenue for year ended June 30, 2017. Revenue received from gross receipt and other taxes decreased \$105,313 (1.37%) compared to a \$350,137 (12.8%) increase in the year ended June 30, 2016. This decrease was a result of significantly less spending from LANL.

Expenses

Total expenses increased \$936,609 or 9.27%, from \$10,101,579 in FY2016 to \$11,038,188 in FY2017. Some expense categories had increases, while other expense categories had decreases. The most impactful increases are described below:

- Personnel Services - The personnel and related costs increased by \$626,238 (18.50%) in the year ended June 30, 2017, compared to that of the year ended June 30, 2016. This increase relates to a slight increase of personnel (3 FTE's), a 3% labor agreement increase for all drivers and increase in associated pension costs.
- Equipment Expense - The costs in this category increased by \$75,515 (97.83%) in the year ended June 30, 2017, compared to the year ended June 30, 2016. Due to the non-cyclical nature of equipment purchases this category cost can fluctuate from year to year depending on needs and circumstances. This increase is mostly attributed to multiple equipment purchases and system implementation made during Fiscal year 2017.
- Depreciation - The costs in this category increased by \$116,567 (16.02%) in the year ended June 30, 2017, compared to the year ended June 30, 2016. The increase is due to the arrival of fourteen (14) replacement buses that were put into service in FY2017.

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NORTH CENTRAL REGIONAL TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017 AND 2016**

Capital Assets and Long-Term Debt

The District's investment in capital assets as of June 30, 2017, amounts to \$8,657,608 (net of accumulated depreciation). This investment in capital assets includes land, buildings, buses, other vehicles, and equipment and fixtures over \$5,000. The District has no debt, but the State of New Mexico is reflected as a lien holder for all assets that were acquired with federal grants administered by New Mexico Department of Transportation; liens are released when the assets reach their FTA recommended useful lives.

The District has not issued short or long-term debt to pay for any of the District's assets or operations since the District started in 2004. This is expected to change in 2019 as the District is planning to secure financing for a fleet maintenance facility for in-house maintenance and repairs within the next couple of years.

Economic Factors

Gross Receipt Taxes have historically been a stable source of income over time and this past year generated 63% of the Districts overall revenue for 2017. For the past ten years, the District has seen a slight decline in GRT revenues ranging from 3-5% annually before FY2014. FY2014 saw the first increase of 1.0% and FY2015 saw another increase of 7.1%. However, GRT received FY2017 decreased by a 1.37%.

The District implemented a five-year transit service plan in FY2015 modifying services in its 10,079-square mile service area. The District's operational changes resulted in service level adjustments, which impacted ridership and route coverage. These changes can affect our federal grant revenue positively or negatively and must be monitored over time. Ridership for the District-operated-routes increased 6.1%, as compared to FY2016. This is a huge accomplishment considering that unlinked passenger trips saw an average decrease of 5.7% across the United States.

The District entered negotiations with the Teamsters Union in May 2016 for a 3-year collective bargaining agreement for represented personnel. The renegotiated Collective Bargaining Agreement started in July of 2016. The District agreed to a 3% wage increase for FY2017 and a 2.7% increase for 2 years after 2017.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Hector Ordonez, Finance Director, North Central Regional Transit District, 1327 N. Riverside Drive, Española, NM 87532 telephone (505) 629-4701, or by visiting the District's website at www.ncrtd.org.

BASIC FINANCIAL STATEMENTS

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,753,044	1,286,682
Investments	5,432,405	6,292,053
Receivables	1,295,420	890,861
GRT due from other governments	1,598,657	1,266,352
Prepaid expenses	282	3,103
Total current assets	<u>10,079,808</u>	<u>9,739,051</u>
Noncurrent		
Other assets	530	50
Land and construction in progress	1,395,106	1,463,637
Capital assets, net of accumulated depreciation	7,262,502	5,897,353
Total non-current assets	<u>8,658,138</u>	<u>7,361,040</u>
Total assets	<u>18,737,947</u>	<u>17,100,091</u>
Deferred outflows of resources		
Pension deferral	1,934,069	199,280
Total deferred outflows of resources	<u>1,934,069</u>	<u>199,280</u>
Total assets and deferred outflows of resources	<u>\$ 20,672,015</u>	<u>17,299,371</u>
LIABILITIES		
Current		
Accounts payable	\$ 439,694	301,910
Due to other governments	680,241	385,038
Accrued wages	150,779	165,760
Compensated absences - current portion	65,898	39,259
Other accrued liabilities	691	2,057
Total current liabilities	<u>1,337,303</u>	<u>894,024</u>
Noncurrent		
Compensated absences - non-current portion	84,017	83,061
Net pension liability	3,888,713	1,901,529
Total non-current liabilities	<u>3,972,730</u>	<u>1,984,590</u>
Total liabilities	<u>5,310,033</u>	<u>2,878,614</u>
Deferred inflows of resources		
Unearned revenues	2,522	-
Pension deferral	40,887	51,258
Total deferred inflows of resources	<u>43,409</u>	<u>51,258</u>
NET POSITION		
Net investment in capital assets	8,657,608	7,360,990
Unrestricted	6,660,965	7,008,509
Total net position	<u>15,318,573</u>	<u>14,369,499</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,672,015</u>	<u>17,299,371</u>

See Notes to Financial Statements.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for services (program revenues)	\$ 140,488	102,092
Total operating revenues	<u>140,488</u>	<u>102,092</u>
OPERATING EXPENSES		
Personnel Services		
Salaries and wages	2,666,818	2,435,822
Payroll taxes	170,579	149,010
Employee benefits	1,173,987	800,314
Total personnel services	<u>4,011,384</u>	<u>3,385,146</u>
Other operating expenses		
Advertising	81,184	87,290
Dues, licenses, and fees	23,386	20,155
Equipment expense	152,705	77,190
Insurance	109,556	119,953
Travel, meetings, lodging, and per diem	24,789	27,699
Occupancy and utilities	34,186	48,188
Office supplies, postage, and photocopies	45,141	42,374
Penalties and interest	457	-
Professional services	169,709	233,383
Repairs and maintenance	26,765	25,363
Telephone and internet	43,277	40,802
Training	16,451	7,590
Transit expenses	6,826	5,027
Uniforms	421	8,457
Vehicle repair and maintenance	713,206	645,203
Miscellaneous expenses	10,471	6,015
Depreciation	844,403	727,836
Total other operating expenses	<u>2,302,933</u>	<u>2,122,525</u>
Total operating expenses	<u>6,314,317</u>	<u>5,507,671</u>
Operating income (loss)	<u>(6,173,829)</u>	<u>(5,405,579)</u>
NON-OPERATING REVENUE (EXPENSES)		
Federal grants	3,389,438	2,845,795
Tribal and state grants	234,119	195,995
State capital outlay appropriation	93,000	301,312
Member local match	496,630	506,154
Gross receipts and other taxes	7,568,341	7,673,654
Gross receipts passed through to other entities	(4,708,159)	(4,588,079)
Gain/(loss) on disposal of assets	(15,711)	(5,829)
Advertising sales	26,866	27,168
Other revenue	13,214	105
Investment income	25,165	24,934
Interest income	-	6,938
Total non-operating revenue (expenses)	<u>7,122,903</u>	<u>6,988,147</u>
Income (loss) before contributions	<u>949,074</u>	1,582,568
Capital contributions	-	591,109
Change in net position	<u>949,074</u>	2,173,677
Beginning net position	14,369,499	12,317,296
Restatement - GASB 82 implementation	-	(121,474)
Beginning net position as restated	<u>14,369,499</u>	<u>12,195,822</u>
Ending net position	<u>\$ 15,318,573</u>	<u>14,369,499</u>

See Notes to Financial Statements.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers (charges for services)	\$ 140,488	102,092
Cash paid to employees (personnel services)	(3,584,221)	(3,452,219)
Cash paid to suppliers (other operating expenses)	(1,707,254)	(1,624,389)
Net cash provided by (used for) operating activities	<u>(5,150,986)</u>	<u>(4,974,516)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from grants and agreements	4,253,267	3,870,595
Cash received from gross receipts and other taxes	7,568,341	7,673,654
Cash paid to other entities for pass-thru taxes	(4,708,159)	(4,588,079)
Net cash provided by (used for) noncapital financing activities	<u>7,113,448</u>	<u>6,956,170</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for acquisition of capital assets	(2,380,914)	(1,588,955)
Cash received from sale of capital assets	-	105
Net cash provided by (used for) capital and related financing activities	<u>(2,380,914)</u>	<u>(1,588,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	5,289,770	2,196,727
Purchase of investments	(4,430,122)	(2,490,000)
Investment income	25,165	24,934
Interest income	-	6,938
Net cash provided by (used for) investing activities	<u>884,813</u>	<u>(261,401)</u>
Net increase (decrease) in cash and cash equivalents	466,362	131,403
Cash and cash equivalents, beginning of year	<u>1,286,682</u>	<u>1,155,279</u>
Cash and cash equivalents at end of year	<u>\$ 1,753,044</u>	<u>1,286,682</u>
Reconciliation of operating gain/(loss) to net cash provided by (used for) operating activities		
Operating income/(loss)	\$ (6,173,829)	(5,405,579)
Adjustments to reconcile operating income/(loss) in net position to cash provided by operating activities:		
Depreciation expense	844,403	727,836
Pension expense	414,549	(168,850)
(Gain)/loss on disposal of assets	15,711	5,829
Change in assets and liabilities:		
Other assets	(480)	160,910
Accounts receivable	(404,559)	(321,944)
Prepaid expenses	2,821	(3,103)
Accounts payables	137,783	(71,392)
Accrued wages	(14,981)	72,957
Compensated absences	27,596	28,820
Net cash provided by (used for) operating activities	<u>\$ (5,150,986)</u>	<u>(4,974,516)</u>

Supplementary Disclosures

A transfer of capital contributions in the amount of \$591,108 from Town of Taos, for capital assets, were added by the District for the year ended June 30, 2016.

See Notes to Financial Statements.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

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 and 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

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 1—NATURE OF OPERATIONS (CONTINUED)

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 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 *non-operating* 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 non-operating revenues and expenses.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

B—Use of Estimates

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

C—Advertising

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

D—Net Position

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

1. *Investment in capital assets* (net of related debt) – 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, 2017.
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 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.

It is the NCRTD's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

E—Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to those used in 2017.

**STATE OF NEW MEXICO
 NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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:

Classification	Estimated Useful Life
Land	Perpetuity
Buildings and improvements	20 - 40 years
Leasehold improvements	20 years
Vehicles	5 - 7 years
Furniture, fixtures, & equipment	5 - 7 years

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years ended June 30, 2017 and 2016, respectively, the NCRTD did not receive any contributed capital assets.

J—Compensated Absences

The NCRTD’s policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the NCRTD and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken. Sick leave is not required to be paid out upon termination and therefore is not part of the liability.

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, 2017.

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.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017, and 2016 respectively.

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 2017 and 2016 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 the following deferred outflows of resources as of June 30:

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources - GW

	<u>2017</u>	<u>2016</u>
Pension deferrals	\$ 1,934,069	199,289
Total deferred outflows of resources	\$ 1,934,069	199,289

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 the following deferred outflows of resources as of June 30:

Deferred Inflows of Resources - GW

	<u>2017</u>	<u>2016</u>
Pension deferrals	\$ 40,887	51,258
Total deferred inflows of resources	\$ 40,887	51,258

N—Transfer of Operations from the Taos Chile Line (GASB 69)

For the year ended June 30, 2016, the NCRTD implemented the provisions of GASB Statement No. 69, Government Combinations and Disposals of Governmental Operations. GASB Statement No. 69 established accounting and financial reporting standards related to government combinations and disposals of government operations.

O—Implementation of new accounting standards

During the year ended June 30, 2017, the NCRTD adopted the following Governmental Accounting Standards Board Statement (GASBS), as of July 1, 2015:

GASBS No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. Effective for reporting periods beginning after June 15, 2016, with earlier implementation encouraged. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

As a result of implementing GASBS No. 82 *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, the District has restated beginning net position, deferred outflows and employee benefit expense in the government-wide Statement of Net Position and Statement of Activities for the year ended June 30, 2015. GASBS No. 82 requires a restatement of employer “pickup” contributions that are now considered employee contributions for purposes of calculations of the employer allocation percentage in GASBS No. 68 entries.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O—Implementation of new accounting standards (Continued)

Prior period adjustment - Implementation of GASBS No. 82:

June 30, 2016 beginning net position was impacted as follows:

Net position, beginning of year as originally reported	\$ 12,317,296
Less: Employer “pickups” made in 2014 which were originally recorded as deferred outflows, but are required to be reported as expenditures under GASBS No. 82	<u>(121,465)</u>
Net position, beginning of year as restated	<u>\$ 12,195,831</u>

June 30, 2016 Statement of Net Position was impacted as follows:

	Originally Reported	Restatement	As Restated
Deferred outflows of resources – Employer contributions subsequent to measurement date	320,754	(121,474)	199,280
Unrestricted net position	7,129,983	(121,474)	7,008,509

Change is the result of employer “pickups” made in 2015 which were originally recorded as deferred outflows, but are required to be reported as expenditures under GASBS No. 82

June 30, 2015 Statement of Activities was impacted as follows:

	Originally Reported	As Restated	Change
Program expenses – employee benefits	600,285	634,893	34,608
Increase in net position	691,936	657,328	(34,608)

Change is the difference between 2015 employer “pickup” contributions of \$86,857 and 2016 employer “pickup” contributions of \$121,465. Prior to the implementation of GASBS No. 82, employer “pickup” contributions made in 2015 were deferred in 2015 and recorded as expense in 2016. Likewise employer “pickup” contributions made in 2016 were deferred in 2016. The implementation results in 2015 employer “pickups” being reversed from 2016 expense and 2016 “pickups” expensed instead of reported as deferred.

The District is currently reviewing subsequent accounting standards that for applicability and potential impact on the financial statements.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P—Evaluation of Subsequent Events

Management has evaluated subsequent events through December 11, 2017, which is the date the financial statements were available to be issued.

NOTE 3—CASH AND CASH EQUIVALENTS

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

<u>Cash and Cash Equivalents</u>		<u>2017</u>	<u>2016</u>
Los Alamos National Bank - Checking	\$	<u>1,753,044</u>	<u>1,286,582</u>
Total cash and cash equivalents	\$	<u>1,753,044</u>	<u>1,286,582</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 any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2017 and 2016, respectively, all of the NCRTD's uninsured deposits were collateralized with securities held by pledging financial institution's trust department or agent in the NCRTD's name. Specific details of the collateralization of the NCRTD's deposits are included on the Schedule of Cash and Investments and Schedule of Collateral as listed in the table of contents.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 4—INVESTMENTS

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

Investments	2017	2016
CDs	\$ 5,422,092	4,742,244
State of NM LGIP	10,313	546,980
Money Market	-	3,615
US Treasury Bills	-	999,214
Total investments	\$ 5,432,405	6,292,053

In compliance with Governmental Accounting Standards Board Statement No. 31, the NCRTD’s investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The NCRTD generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2017, and 2016, respectively.

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

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

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

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

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NOTE 4—INVESTMENTS (CONTINUED)

Credit Risk Investments – The NCRTD’s investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978, in that credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating agency. In addition, in an effort to address liquidity requirements, higher balances are maintained in demand deposit account which also limits the NCRTD’s exposure to credit risk.

Custodial Credit Risk Investments – Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the NCRTD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The NCRTD’s investments are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the NCRTD’s name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the NCRTD’s investment in a single issuer, of more than 5%. The NCRTD’s investments are diversified to avoid including concentration of credit risk. Per the NCRTD’s investment policy; with the exception of U.S. Treasury securities and authorized pools, no more than 65% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity date.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the NCRTD investments. Per NCRTD’s policy; interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations. The NCRTD’s investment policy follows New Mexico State Statute Section 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

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

As of June 30, 2017, NCRTD’s bank and investment balances of \$7,185,449 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 NCRTD		<u>2,128,388</u>
	\$	<u>2,128,388</u>

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NOTE 4—INVESTMENTS (CONTINUED)

As of June 30, 2017, the NCRTD has the following invested in the State Treasurer Local Government Investment Pool:

<u>Financial Institution</u>	<u>Cost Basis</u>	<u>Market</u>	<u>Risk Rating</u>
State of NM Local Government Investment Pool (LGIP)	\$ 10,313	10,313	AAAm

New Mexico State Statutes authorize the creation of the short-term investment fund in the New Mexico State Treasury. The Statutes authorize the State Treasurer to pool monies received from local public bodies for investment purposes with public monies under control. The purpose of the local short-term fund is to provide a voluntary investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. The local short-term investment fund, along with other public monies in the State Treasurer's investment account, is invested in repurchase agreements secured at 102% by U.S. Government Securities. The State Treasurer has the responsibility to pledge collaterals at 102% of investment balances for the NCRTD. All investing is performed in accordance with State Statutes and the NCRTD's investment policy. The State Treasurer Local Government Investment Pool is exempt from GASB 72, and should continue to be measured and disclosed in accordance with existing literature.

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

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

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The NCRTD has no investment policy that would further limit its investment choices. As of June 30, 2017, the NCRTD's investment in the New MexiGROW Local Government Investment Pool (LGIP) was rated AAAm by Standard & Poor's. The independent auditor's report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditor's report on compliance and internal controls are

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NOTE 4—INVESTMENTS (CONTINUED)

available from New Mexico State Treasurer, 2019 Galisteo Street, Bldg K, Santa Fe, New Mexico 87504, upon written request.

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

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

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

Fair Values Measurement (GASB 72) – In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The NCRTD holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the NCRTD’s mission, the NCRTD determines that the disclosures related to these investments only need to be disaggregated by major type. The NCRTD chooses a table format for the fair value disclosures.

The NCRTD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- **Market approach:** this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- **Cost approach:** this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach:** this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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NOTE 4—INVESTMENTS (CONTINUED)

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 1. Interest rates and yield curves observable at commonly quoted intervals,
 2. Implied volatilities, and
 3. Credit spreads.
- b) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

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NOTE 4—INVESTMENTS (CONTINUED)

The NCRTD has the following recurring fair value measurements as of June 30:

<u>Description</u>	<u>2017</u>		<u>2016</u>	
	<u>Level 1</u>		<u>Level 2</u>	
U.S. Treasury Bills \$	-		999,214	
Total	-		999,214	

NOTE 5—RECEIVABLES

<u>Type</u>		<u>2017</u>	<u>2016</u>
AR - customers	\$	89,607	120,794
Town of Taos		-	18,312
NM DOT federal grant receivable		983,512	467,851
Tribal transit receivable		222,301	283,904
Total	\$	1,295,420	890,861

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, 2017.

NOTE 6—DUE TO/FROM OTHER GOVERNMENTS

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

Rio Metro RTD	Gross receipts pass-thru	\$	411,033	385,038
City of Santa Fe	Gross receipts pass-thru		269,208	-
Total due to other governments		\$	680,241	385,038

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

<u>Due from entity</u>	<u>Purpose</u>		<u>2017</u>	<u>2016</u>
Los Alamos County	Gross receipts pass-thru	\$	491,755	203,376
Taos County	Gross receipts pass-thru		150,185	173,345
Rio Arriba	Gross receipts pass-thru		134,652	91,985
Santa Fe County	Gross receipts pass-thru		822,066	797,646
Total GRT due from other governments		\$	1,598,657	1,266,352

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NOTE 7—ACCRUED WAGES

Accrued wages at June 30, consist of the following:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Accrued payroll	\$ 73,273	61,512
Payroll-related taxes and deductions	77,506	104,248
Total	<u>\$ 150,779</u>	<u>165,760</u>

NOTE 8 – PERA PENSION PLAN

Plan Description – Substantially all of the NCRTD’s full-time employees participate in the 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. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978).

Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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 PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member’s final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average

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NOTE 8 – PERA PENSION PLAN (CONTINUED)

salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions and Funding Policy – The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect as of July 1, 2016 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the FY 16 PERA Schedules of Employer Allocations and Pension Amounts at www.nmpera.org. The PERA coverage option that applies to the NCRTD is Municipal Plan 2. Under Municipal Plan 2, state statute requires that plan members contribute 9.52% of their gross salary. The NCRTD is required to contribute 9.55% of the gross covered salary. In August 2014, under the municipal employer "option", the NCRTD Board of Directors passed a resolution to reduce the plan members' share to 5.05% and increase the NCRTD's share to 15.15%. 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, 2017, 2016 and 2015 were \$217,078, \$199,280, and \$141,685, respectively, which equal the amount of the required contributions for each fiscal year.

Employer Pickup – During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No.82, *Pension Issues*, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB (Governmental Accounting Standards Board) Statement No. 67.

Statutorily required contributions to the pension plan from the NCRTD were \$217,078 for 2017 and \$199,280 for 2016 and employer paid member benefits that were "picked up" by the employer were \$127,295 and \$121,465 for the years ended June 30, 2017 and 2016 respectively. See PERA's comprehensive annual financial report for contribution provided description.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The total pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. For the year ended June 30, 2016, the PERA

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NOTE 8 – PERA PENSION PLAN (CONTINUED)

pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. The NCRTD’s proportion of the net pension liability was based on a projection of the NCRTD’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For PERA Fund Division: Municipal General Division, at June 30, 2017, the NCRTD reported a liability of \$3,888,713 for its proportionate share of the net pension liability. At June 30, 2017, the NCRTD’s proportion was 0.24%, which was an increase from its proportion of 0.19% measured as of June 30, 2016. For the year ended June 30, 2017, the NCRTD’s recognized pension expense of \$588,697. At June 30, 2017, the NCRTD reported deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 194,296	37,951
Changes of assumption	228,027	647
Net difference between projected and actual earnings on pension plan investments	715,516	-
Change in proportion and differences between NCRTD contributions and proportionate share of contributions	449,566	2,289
NCRTD contributions subsequent to the measurement date	346,664	-
Total	\$ 1,934,069	40,887

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NOTE 8 – PERA PENSION PLAN (CONTINUED)

Deferred outflows totaling \$346,664 are related to pensions resulting from NCRTD’s contributions subsequent to the measurement date of June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	(384,152)
2019		(384,152)
2020		(584,076)
2021		(194,138)
2022		-
	\$	<u>(1,546,518)</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay, open
Amortization period:	Solved for based on statutory rates
Asset valuation method:	Fair value
Actuarial assumptions:	
• Investment rate of return	7.48% annual rate, net of investment expense
• Project benefit payment	100 years
• Payroll growth	2.75% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees, before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June, 2015 (economic)

There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total

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NOTE 8. PERA PENSION PLAN (CONTINUED)

pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	<u>20.0%</u>	7.35%
Total	<u>100.0%</u>	

Discount rate – A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the NCRTD’s proportionate share of the net pension liability to changes in the discount rate – The following presents the NCRTD’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the NCRTD’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

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NOTE 8 – PERA PENSION PLAN (CONTINUED)

PERA Fund Division - Municipal General Division	1% Decrease (6.48%)	Discount Rate (7.48%)	1% Increase (8.48%)
NCRTD's proportionate share of the net pension liability	\$ <u>5,797,725</u>	\$ <u>3,888,713</u>	\$ <u>2,305,282</u>

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports. The reports may be obtained by writing PERA, PO Box 2123, Santa Fe, NM 87504-2123. The reports are also available on the New Mexico State Auditor’s website at <https://www.saonm.org/>.

Payables to the pension plan – At June 30, 2017, the NCRTD had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

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

A—Plan Description

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

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

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

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NOTE 9 – POST-EMPLOYMENT BENEFITS (CONTINUED)

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 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, 2017, 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, 2017, 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 1.25% 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, 2017, 2016 and 2015 were \$45,462, \$41,474, and \$30,883, respectively, which equal the required contributions for each year.

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NOTE 10 – GOVERNMENTAL MONEY PURCHASE PLAN AND TRUST

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

The NCRTD approved a resolution on August 2, 2013, providing for an individual choice election of eligible employees. Under the 401(a), the normal retirement age is 59 ½ years. The eligible employees contribute a minimum of 4.2% every pay period. Additionally, they have the option to increase their contribution rate by 1% intervals, up to 6.2%. The employees are also allowed to make additional after tax contributions. The NCRTD contributes a fixed 6.2% every pay period, for all participants.

Contributions made to this plan for the years ended June 30, 2017 and 2016 were as follows:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Employer	\$ 10,590	13,740
Employee	14,038	18,213
Total	\$ <u>24,628</u>	<u>31,953</u>

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NOTE 11 – PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are summarized as follows:

Business-Type Activities	2016	Additions	Deletions	2017
Capital assets not being depreciated				
Land	\$ 1,228,011	11,444	-	1,239,455
Construction in progress	235,626	155,652	(235,626)	155,652
Total capital assets not being depreciated	<u>1,463,637</u>	<u>167,096</u>	<u>(235,626)</u>	<u>1,395,106</u>
Capital assets being depreciated				
Vehicles	5,357,383	1,523,113	(428,443)	6,452,052
Furniture, fixtures, and equipment	118,492	276,805	(21,875)	373,422
Buildings and improvements	3,498,813	241,960	(19,639)	3,721,134
Leasehold improvements	-	183,968	-	183,968
Intangible assets	628,649	-	-	628,649
Total capital assets being depreciated	<u>9,603,338</u>	<u>2,225,846</u>	<u>(469,957)</u>	<u>11,359,225</u>
Less accumulated depreciation for:				
Vehicles	(3,074,949)	(637,785)	427,860	(3,284,875)
Furniture, fixtures, and equipment	(100,812)	(34,961)	21,875	(113,898)
Buildings and improvements	(426,265)	(111,900)	3,930	(534,236)
Leasehold improvements	-	(265)	-	(265)
Intangible assets	(103,957)	(59,492)	-	(163,449)
Total accumulated depreciation	<u>(3,705,985)</u>	<u>(844,403)</u>	<u>453,665</u>	<u>(4,096,723)</u>
Total capital assets being depreciated	<u>5,897,353</u>	<u>1,381,443</u>	<u>(16,292)</u>	<u>7,262,502</u>
Capital assets, net	<u>\$ 7,360,990</u>	<u>1,548,539</u>	<u>(251,919)</u>	<u>8,657,608</u>

For the years ended June 30, 2017 and 2016, depreciation expense was \$844,403 and \$727,836, respectively. As of the year ended June 30, 2017 and 2016, respectively, 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.

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 12 – CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 122,320	83,373	(55,778)	149,915	65,898
Net pension liability	1,901,529	2,307,938	(320,754)	3,888,713	-
Total	<u>\$ 2,023,849</u>	<u>2,391,311</u>	<u>(376,532)</u>	<u>4,038,628</u>	<u>65,898</u>

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2017 or 2016.

NOTE 13 – GROSS RECEIPTS TAX REVENUE

Starting in 2009, the NCRTD began collecting 1/8th of a percent of gross receipts tax (GRT) in four counties, which was approved by the voters of those counties in 2008. The counties are made up of Los Alamos, Rio Arriba, Santa Fe, and Taos. The GRT is applied and collected in the four local counties. The businesses in each county collect the tax and remit it to the New Mexico State Tax and Revenue Department (the Department). Then, the Department sends it to the NCRTD via the counties. The tax sunsets in 2023; therefore a district-wide election will need to be held in order to renew the tax.

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

The NCRTD collects the GRT and passes 60% of the collection on to the respective entities that provide regional services as noted above. The NCRTD then keeps the remaining 40%, which is utilized for the NCRTD provided services. Any excess revenue is placed into the NCRTD’s cash reserves. The following table shows the amount of the collection and amount passed through at June 30:

		<u>2017</u>	<u>2016</u>
Gross receipts and other taxes	\$	<u>7,568,341</u>	7,673,654
Less: Gross receipts passed-thru to other entities		<u>4,708,159</u>	4,588,079
Net GRT	\$	<u>2,860,182</u>	<u>3,085,575</u>

**STATE OF NEW MEXICO
NORTH CENTRAL REGIONAL TRANSIT DISTRICT
JUNE 30, 2017 AND 2016**

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – GRANTS

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

NOTE 16 – UNRESTRICTED NET POSITION

Unrestricted net position consists of undesignated and designated net position. The designated net position is 25% of all revenue, during the current fiscal year. This 25% of total revenue, serves 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 undesignated net position, is the remaining net position, less net investment in capital assets.

The NCRTD had the following unrestricted net position:

<u>Type</u>	<u>2017</u>	<u>2016</u>
Undesignated	3,657,433	4,087,481
Designated	3,003,532	2,921,037
Total	<u>6,660,965</u>	<u>7,008,518</u>

NOTE 17 – 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.

In addition, the finance director facilitates collection of money on behalf of the Tesuque Pueblo, Pojoaque Pueblo, Pueblo de San Ildefonso, and Santa Clara Pueblo. The NCRTD has MOU's with the pueblos, and processes paperwork on behalf of the pueblos, so they can collect federal transit revenues.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NORTH CENTRAL REGIONAL TRANSIT DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	Fiscal Year Measurement Date	June 30:		
		2017 2016	2016 2015	2015 2014
The NCRTD's proportion of the net pension liability (asset) (%)		0.24%	0.19%	0.19%
The NCRTD's proportionate share of the net pension liability (asset) (\$)	\$	3,888,713	1,901,529	1,458,021
The NCRTD's covered-employee payroll	\$	2,273,073	2,086,698	1,483,608
The NCRTD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		171%	91%	98%
Plan fiduciary net position as a percentage of the total pension liability		69.18%	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the NCRTD will present information for those years for which information is available.

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR available at <http://saonm.org>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/>

See Independent Auditor's Report

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NORTH CENTRAL REGIONAL TRANSIT DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	Fiscal Year Measurement Date	June 30:		
		2017 2016	2016 2015	2015 2014
Contractually required contribution	\$	217,078	199,280	141,685
Contributions in relation to the contractually required contribution		<u>217,078</u>	<u>199,280</u>	<u>141,685</u>
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>-</u>
NCRTD's covered-employee payroll	\$	2,273,073	2,086,698	1,483,608
Contributions as a percentage of covered-employee payroll		9.55%	9.55%	9.55%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the State of New Mexico will present information for those years for which information is available.

Notes to Required Supplementary Information:

Change in accounting principle. For the year ended June 30, 2017, the District implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Additionally, the statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR available at <http://saonm.org>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/>

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SUPPLEMENTARY INFORMATION

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance
Operating Revenues				
Revenue				
Charges for services	\$ 61,500	61,500	140,488	78,988
Operating Expenses				
Personnel services	3,703,275	3,608,275	4,011,384	(403,109)
Other operating expenses	1,723,843	1,723,843	1,458,531	265,312
Capital outlay	2,260,415	2,734,881	2,380,914	353,967
Total operating expenses	<u>7,687,533</u>	<u>8,066,999</u>	<u>7,850,829</u>	216,170
Operating income (loss)	<u>(7,626,033)</u>	<u>(8,005,499)</u>	<u>(7,710,340)</u>	295,159
Nonoperating Revenues (Expenses)				
Federal grants	3,480,596	3,662,579	3,389,438	(273,141)
Tribal transit grants	204,280	326,987	234,119	(92,868)
State and local grants	350,000	350,000	350,000	-
State appropriation	93,000	93,000	93,000	-
Member local match	73,000	88,000	146,630	58,630
Gross receipts and other taxes	7,095,000	7,095,000	7,568,341	473,341
Gross receipts pass-thru to other entities	(4,708,159)	(4,708,159)	(4,708,159)	(0)
Investment and interest income	20,000	20,000	25,165	5,165
Other income	20,000	20,000	40,080	20,080
Total nonoperating revenues (expenses)				
Income (loss)	6,627,717	6,947,407	<u>7,138,614</u>	(191,207)
Cash balance budgeted	877,457	937,233		
Total nonoperating revenues (expenses)				
Income (loss), including budgeted cash balance	<u>7,505,174</u>	<u>7,884,640</u>		
Change in net position	<u>(120,859)</u>	<u>(120,859)</u>	<u>\$ (571,727)</u>	<u>103,952</u>

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

Change in net position-budget basis	\$ (571,727)
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	(844,403)
Capital outlay that was capitalized on the statement of net position but not on non-GAAP Budget Basis	2,380,914
Gain/(loss) on sale of capital asset, taken into account on balance sheet but was not on non-GAAP Budget Basis	(15,711)
Change in net position-business type activity - full accrual basis	<u>\$ 949,073</u>

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS
 FOR THE YEAR ENDED JUNE 30, 2017

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expenditures as of June 30, 2017	Remaining Balance as of June 30, 2017
Capital Outlay Appropriation					
Laws 2016, Chapter 81, Section 22, Paragraph 145	89200	\$ 93,000	8/11/16 - 6/30/18	93,000	-
Total Capital Outlay Appropriation		<u>\$ 93,000</u>		<u>93,000</u>	<u>-</u>

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF CASH AND INVESTMENTS
AS OF JUNE 30, 2017**

Financial Institution	Account Type	Reconciled Balance	Balance Per Bank	Federal Home Loan Bank or FDIC Coverage		Total Uninsured	Required Collateral Coverage	Collateral Requirement	Collateral Pledged	Over/ (Under) Collateralized
				Fair Market Value	Cost Basis					
Los Alamos National Bank	Checking	1,753,044	1,761,796	250,000		1,511,796	50%	755,898	2,117,869	1,361,971
Total cash and cash equivalents		\$ 1,753,044	1,761,796	250,000		1,511,796		755,898	2,117,869	1,361,971
Financial Institution	Account Type	Fair Market Value	Cost Basis	Federal Home Loan Bank or FDIC Coverage	Total Uninsured	Required Collateral Coverage	Collateral Requirement	Collateral Pledged	Over/ (Under) Collateralized	
Los Alamos National Bank										
29976DP20	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
80280JPQ8	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
02006LK44	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
78658QWY7	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
549103ZG7	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
234553AG0	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
69478QDP2	Certificate of deposit	245,002	245,000	250,000	(4,998)	-	-	-	-	
108622FB2	Certificate of deposit	244,002	244,000	250,000	(5,998)	-	-	-	-	
77579ABT2	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
86604XLF1	Certificate of deposit	245,002	245,000	250,000	(4,998)	-	-	-	-	
857894RT8	Certificate of deposit	245,002	245,000	250,000	(4,998)	-	-	-	-	
98878BFY9	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
06610RAK5	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
254672Z50	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
92937CFB9	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
20451PQH2	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
05580AHN7	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
8562285CE9	Certificate of deposit	245,005	245,000	250,000	(4,995)	-	-	-	-	
Cash account		21,044	21,044	250,000	(228,956)	-	-	-	-	
Total Los Alamos National Bank		4,430,122	4,430,044	4,750,000	(319,878)	-	-	-	-	
Guadalupe Credit Union										
0639-81	Certificate of deposit	248,732	250,000	250,000	(1,268)	-	-	-	-	
Total Guadalupe Credit Union		248,732	250,000	250,000	(1,268)	-	-	-	-	
US Eagle NM Federal Credit Union										
0399-0101	Certificate of deposit	247,902	250,000	250,000	(2,098)	-	-	-	-	
Total US Eagle NM Federal Credit Union		247,902	250,000	250,000	(2,098)	-	-	-	-	
Sandia Area Federal Credit Union										
420356-30	Certificate of deposit	247,174	244,995	250,000	(2,826)	-	-	-	-	
Total Sandia Area Federal Credit Union		247,174	244,995	250,000	(2,826)	-	-	-	-	
First National Bank of Santa Fe										
-3512	Certificate of deposit	248,163	245,000	250,000	(1,837)	-	-	-	-	
Total First National Bank of Santa Fe		248,163	245,000	250,000	(1,837)	-	-	-	-	
Total certificates of deposit		5,422,092	5,420,039	5,750,000	(327,908)	-	-	-	-	
State of NM Local Government Investment Pool (LGIP) - 7944-20806	Investment Pool	10,313	10,313	-	10,313	102%	10,519	10,519	-	
Total investments		\$ 5,432,405	5,430,352	5,750,000	(317,595)		10,519	10,519	-	

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
AS OF JUNE 30, 2017**

<u>Bank</u>	<u>CUSIP</u>	<u>Current Shares or Face Value</u>	<u>Coupon or Rate</u>	<u>Market Value</u>	<u>Maturity Date</u>
Los Alamos National Bank FHLB AFS	#3137B7YY9	2,000,000	3.490%	2,117,869	1/25/2024
		\$ <u>2,000,000</u>		\$ <u>2,117,869</u>	

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COMPLIANCE SECTION

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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				
5307 Grant Urbanized Area Formula Program	20.507		N/A	72,950
				<u>72,950</u>
Passed through New Mexico Department of Transportation				
5311 Grant - Capital Funding (FFY13 Carryover)	20.509	*	M01166/3	74,237
5311 Grant - Formula Grants for Other Than Urbanized Areas	20.509	*	M01388 & M01442	2,832,457
5311 Grant - ADA Upgrades to Shelters	20.509	*	D01473/1	160,538
Total 20.509				<u>3,067,232</u>
5310 Grant - Transportation Assistance to Low Income/Elderly	20.513		M01433	150,374
5304 Grant - Statewide Planning	20.515		M01311	98,883
Total Passed Through U.S. Department of Transportation				<u>3,316,489</u>
Total Expenditures of Federal Awards				<u>\$ 3,389,439</u>

* = Denotes major program

SELECTED DISCLOSURES:

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2017

3 - Subrecipients

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

4 - Federal Insurance

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

5 - Indirect Cost Rate

The organization did not use the 10 percent de minimis indirect cost rate.

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**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards***

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

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 financial statements of the business-type activities of the North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the NCRTD's basic financial statements, and related budgetary comparison of the NCRTD presented as required supplementary information, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the 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 the NCRTD's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCRTD's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCRTD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company, LLC

Albuquerque, New Mexico
December 11, 2017



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Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance As Required by Uniform Guidance

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
To the Board of Directors
North Central Regional Transit District

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 Compliance Supplement* that could have a direct and material effect on each of NCRTD's major federal programs for the year ended June 30, 2017. 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, grants, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on NCRTD's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of 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 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 a 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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
December 11, 2017

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2016**

A. PRIOR YEAR AUDIT FINDINGS

No prior year audit findings noted.

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified that are
 Not considered to be material weaknesses? Yes None Reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal Control

Material weaknesses identified? Yes No

Significant deficiencies identified that are
 Not considered to be material weaknesses? Yes None Reported

Type of auditor’s report issued on major programs Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with section 2 CFR section 200.516(a)? Yes No

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk Auditee? Yes

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017**

B. FINDINGS – FINANCIAL STATEMENTS

NONE

C. FINDINGS – FEDERAL AWARDS

NONE

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2017**

An exit conference was held in a closed session on December 13, 2017, at NCRTD's offices in Española, New Mexico. In attendance were the following:

Representing the NCRTD:

Anthony Mortillaro
Pat Lopez
Ed Moreno
Leandro Cordova
Antonio Maggiore
Christy Van Buren

Executive Director
Financial Analyst
Santa Fe County
Taos County
Los Alamos County
Ohkay Owingeh Pueblo

Representing Ricci and Co:

Lee Baldwin

FINANCIAL STATEMENTS

The financial statements of NCRTD as of June 30, 2017, were substantially prepared by Ricci and Co; however, the financial statements are the responsibility of management.