



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

North Central Regional Transit District
Española, New Mexico

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
CITY OF ESPAÑOLA, NEW MEXICO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For Fiscal Year Ended
June 30, 2018**

**Prepared by:
Finance Department**

**Hector E. Ordonez, CPA
Finance Director**



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INTRODUCTORY SECTION



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North Central Regional Transit District
1327 N. Riverside Dr.
Española, NM 87532
(505) 629-4725



December 4, 2018

To the Citizens and Board of Directors of the North Central New Mexico Regional Transit District:

It is with great pleasure that we submit the North Central Regional Transit District's (NCRTD) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. New Mexico State Statute 12-6-3, NMSA 1978 and the Office of the State Auditor of New Mexico mandate that the financial affairs of the North Central Regional Transit District's (hereafter referred to as the District) and records be thoroughly examined for conformity with Generally Accepted Accounting Principles (GAAP) and are audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants in the State of New Mexico.

Federal Law also requires that a single audit be performed for federal grant funds in conformance with the provisions of the Uniform Guidance CFR 200 along with the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." All information related to the uniform guidance, including the schedule of expenditures of federal awards findings and recommendations, and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations are included and presented under a separate section of this CAFR.

Internal Control and Management's Responsibility

This CAFR was prepared by the District's Department of Finance with the assistance of other departments and consists of management representations concerning the finances of the District; consequently management assumes full responsibility for the accuracy, reliability, completeness and fairness of the data presented in this report based upon a comprehensive framework of internal controls that were designed and established for this purpose and to protect the District's assets from loss, theft, or misuse and to compile enough statements that are in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's framework of internal controls was designed to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by AXIOM, CPAs and Business Advisors, LLC, a firm of licensed certified public accountants based in Albuquerque, New Mexico. The goal of the independent audit is to provide reasonable rather than complete assurance that the financial statements for the fiscal year ended June 30, 2018, are free of material misstatement.

The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's finance statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.





LETTER OF TRANSMITTAL

This report consists of an Introductory Section, the Financial Section which includes the opinion of the District's independent auditors, and Management's Discussion and Analysis (MD&A), a Statistical Section with multiple years of summary data, the Single Audit Section and the Other Supplementary Information Section. GAAP Requires that management provides a narrative introduction an analysis to accompany the basic financial statements in the form of an MD&A. This letter of Transmittal is designed to complement that MD&A and readers should refer to it for a more detailed overview of how to use this report, an introduction to the District's basic financial statements and an analytical overview of the District's financial activities. The MD&A can be found immediately after the independent auditor's report in the Financial Section of the CAFR.

Profile of the North Central Regional Transit District (NCRTD)

NCRTD was the first Regional Transit District to be formed and certified by New Mexico's Transportation Commission in September 2004 pursuant to the 2003 Regional Transit District Act, NMSA 1978, Chapter 73, Article 25. The District began transporting passengers in October 2007 through the acquisition and consolidation of the City of Española's transit operations and Rio Arriba County's Los Valles Transit Services. The organization provides predominately fare-free bus services that connect communities and pueblos with an estimated population of 239,442 in the following counties: Los Alamos, Rio Arriba, Santa Fe and Taos.

The District currently provides service on twenty-five fixed routes and three demand response routes throughout approximately 10,118 square miles, the routes reach as far north as Costilla, near the Colorado border and as far south as the Town of Edgewood, 174 miles away. Additionally, the signature Blue Buses provide riders with connections to the New Mexico Rail Runner Express, Santa Fe Trails, NMDOT Park and Ride, Los Alamos Atomic City Transit, Red River Miner's Transit and Red Apple Transit in Farmington.

Governance

NCRTD operates under a publicly appointed Board of Directors consisting of fifteen members from the counties of Santa Fe, Los Alamos, Rio Arriba and Taos; the cities, village and towns of Española, Santa Fe, Edgewood, Chama and Taos; and the pueblos of Pojoaque, Tesuque, Nambé, San Ildefonso, Santa Clara and Ohkay Owingeh. The Rio Metro Regional Transit District participates as an ex-officio member of the Board. The Board is responsible for, among other things, policymaking, adopting a budget, appointing committees, managing long-range planning and hiring the Executive Director. In support of the Board's activities there are three operating committees:

- Finance Committee - consists of the four county Board members and one tribal member of the Board
- Tribal Committee - consists of the tribal members of the Board
- Environmental Sustainability Committee - consist of seven members-at-large representing expertise in sustainability, alternative energy or the environmental field

Administration

The Executive Director is the chief administrative officer of the District and ascertains that all policies of the board are executed, oversees daily operations and represents the District in business with other agencies. Furthermore, the Office of the Executive Director is responsible of the oversight, coordination, and strategic management of the District's resources, which also involves supervision of all departments and employees, support and assistance to the Board of





Directors, legislative activities and the general public and direct oversight to the following Department and Division heads: Public Information Officer, Planning and Grants Manager, Legal Counsel, Director of Finance, Director of Human Resources, Director of Operations and Fleet and Facilities Manager.

The Finance Department is responsible for financial accounting and reporting, capital budgeting, operational budgeting, payroll and vendor disbursements, investments and cash management, revenue control, purchasing, contract administration, and risk management.

The Public Information Office Department is responsible for media relations, customer service, marketing, sales, advertising, distribution services, public information request and community outreach.

The Human Resources Department is responsible for the organization, coordination, and administration of labor and employee relations, recruitment, employee retention, job classification, compensation and benefits of personnel; and ensuring equal opportunities in the District's employment practices.

The Planning and Grants Department is responsible for oversight of strategic planning and performance, grant administration, and project management. Additionally, the department initiates studies and long-term projects designed to maintain and improve transit ridership through project viability studies, joint venture identification, and right of way, station area, and land use planning.

The Operations Department is responsible for providing timely, safe and efficient bus service on twenty-five fixed routes and three on demand services that includes a paratransit service pursuant to the requirements of the Americans with Disabilities Act (ADA), quality assurance, and service planning.

The Fleet Management Division provides management support for the maintenance of the District's bus fleet. Its primary objective is to provide adequate, safe, operable, clean, and attractive buses to meet the District's scheduled service requirements by maintaining and repairing vehicles and overseeing the District's central inventory account.

The Facilities Maintenance Division is responsible for the maintenance of all facilities, machinery, equipment, signage and shelters of the District. The division provides maintenance support services in the Española and Taos service areas.

Factors Involving Financial and Economic Impact

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment in which the District operates. The North Central Regional Transit District serves seventy communities located within four counties in North Central New Mexico, said counties have relatively stable economies dominated predominately by the tourism, recreation, government and professional scientific-management industries.

Santa Fe and Taos Counties depend heavily on year-round tourism and are known for their ski areas and other interrelated industries such as: food, lodging, arts and entertainment. Fiscal year 2018 experienced a record-breaking economic impact of Tourism for seventh consecutive year. Tourists often enjoy recreational activities related to the scenic beauty of the historical landscapes that have earned New Mexico the official nickname of the "Land of Enchantment", such as rafting, kayaking, horseback riding, camping, ghost town exploration,





LETTER OF TRANSMITTAL

backpacking, mountain climbing, mountain biking, golfing, fishing and hot air ballooning. The International Balloon festival is the biggest of its kind, this year it brought 886,037 visitors to Albuquerque and the surrounding areas including Santa Fe.

The Incorporated County of Los Alamos has an unusually large concentration of professional scientific, federal, state and county government employment due to the location of the National Laboratory of Los Alamos (LANL). With 11,300 employees LANL is not only the largest employer in the Incorporated County of Los Alamos but also the biggest contributor of gross receipts taxes (an estimated 75-80% Gross Receipts Tax (GRT) revenues comes from LANL).

Given the substantial impact of the Lab's operations, the District continues to work closely with Los Alamos County and diligently monitoring any changes in local, state and federal legislative actions and Triad National Security's tax payer status in order to prepare for potential impacts upon the GRT revenues received by the District.

Lastly, Rio Arriba County relies heavily in the private, health care, retail trade, accommodation and food service sectors as they provide the greatest number of jobs and gross receipt taxes in this County. The County also has a small but strong agricultural sector that focuses on farm, forestry, fishing, and related industries. While the Health care and social assistance provides more employment than any other private sector and it also creates higher-skilled and higher-paying jobs. We believe that the industry has stabilized, therefore continuous and/or significant growth is not expected. In addition, the city of Espanola continues to experience significant growth in the retail industry that started with the opening of big-box retailers like Wal-Mart, Lowes and fast food restaurant McDonalds.

Funding Sources

The biggest portion of the District's funding sources (68%) is derived from sales tax revenues in the form of gross receipts tax (GRT). The District started receiving a one-eighth of one percent GRT after it was approved by the four-county area voters in 2008. During 2018 we experienced a significant increase in GRT Revenue from the Santa Fe, Taos and Los Alamos counties and a slight decrease in Rio Arriba. In 2019, the District projects that the GRT in Rio Arriba County will continue to underperform due to a fledgling economic recovery.

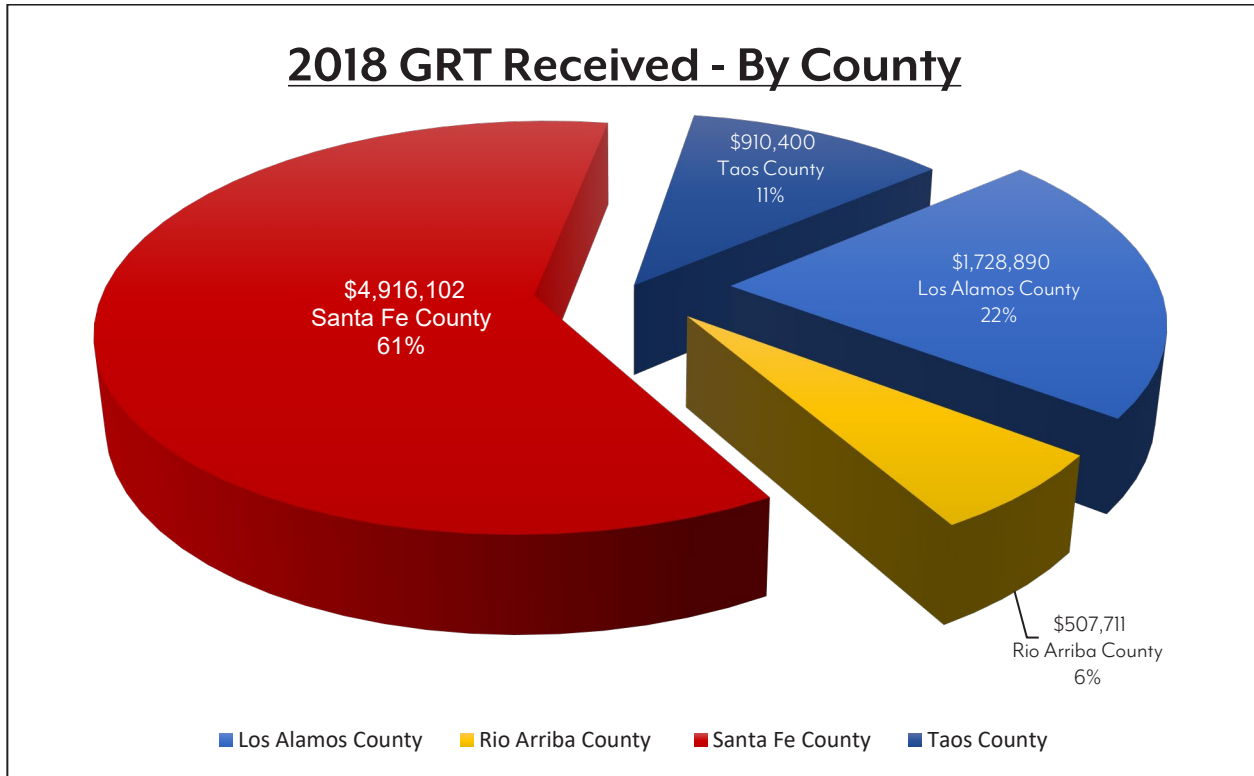
Furthermore, continuing increases in spending by Los Alamos National Laboratory (LANL) in Los Alamos County, and Santa Fe and Taos County GRT tends to balance the uneven revenues from Rio Arriba. Due to the concern regarding the award of the Operating Contract for LANL, and the implications upon the revenue generated from the Regional Transit GRT in Los Alamos County the adopted budget for FY2019 incorporated constrained spending of non-federal capital investments and Regional GRT allocation commencing January 2019.

In addition to GRT Revenue, the District relies heavily on federal grant revenue (27%) member contributions/donations (4%) and miscellaneous revenue (1%). Miscellaneous revenue is comprised of vehicles sales and dispositions, fares, investment interest, bus advertisement, etc.

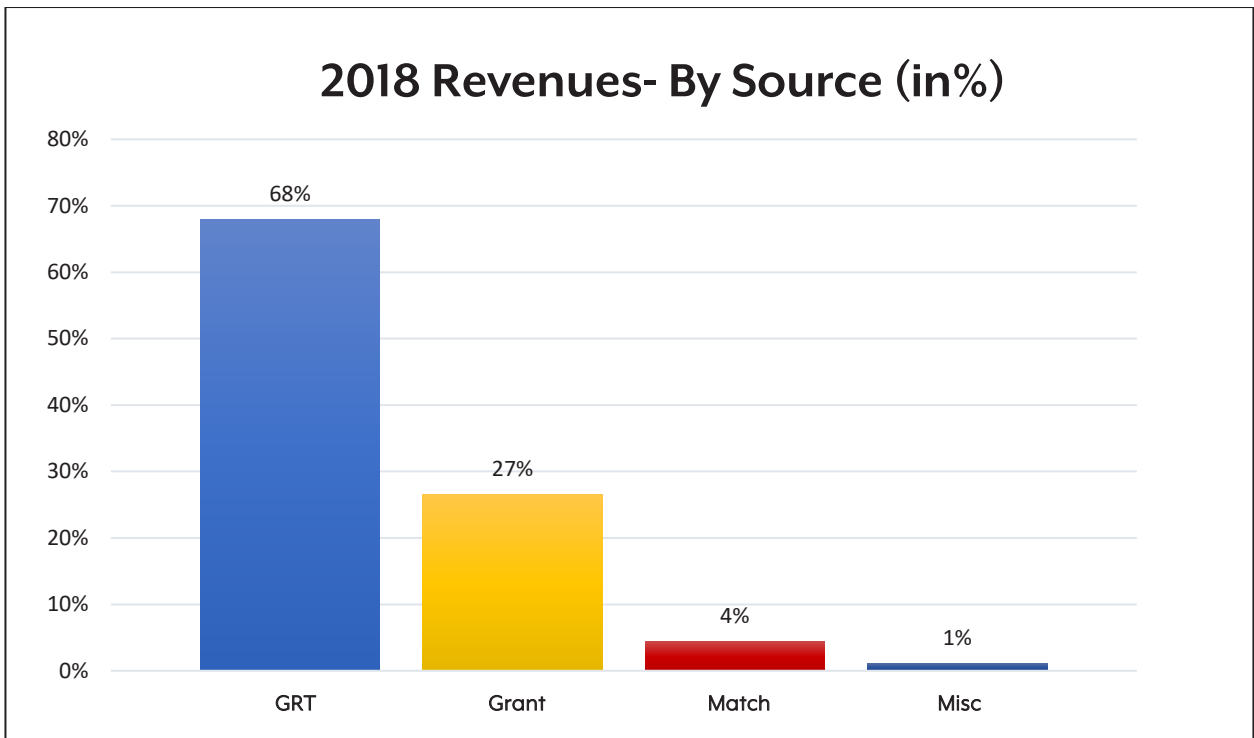




The following chart illustrates the percentage of GRT revenues received from each county:



The following chart illustrates the revenue percentages received by source:



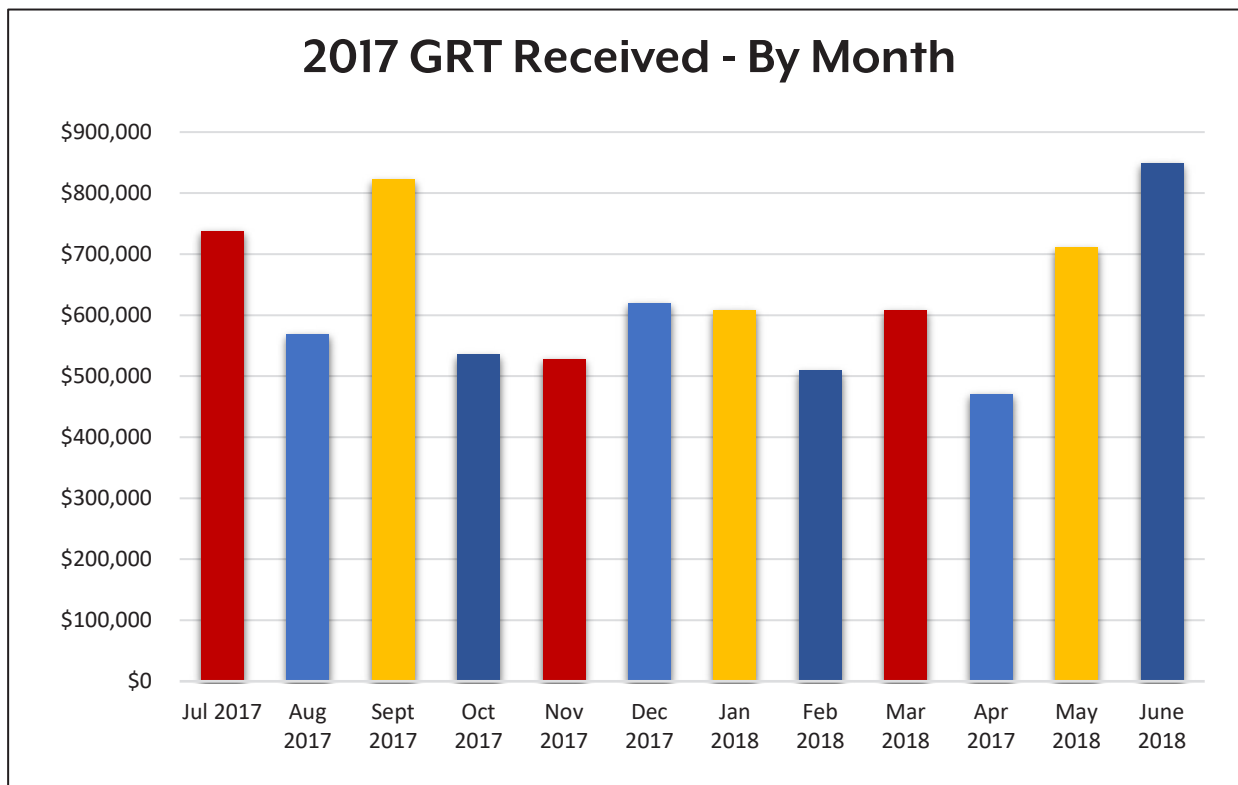
LETTER OF TRANSMITTAL

The District allocates a portion of GRT revenues received to regional partners that provide regional services approved by the Board of Directors. The transit agencies that receive this allocation are the New Mexico Rail Runner Express and Santa Fe Trails in Santa Fe County and Atomic City Transit in the Incorporated County of Los Alamos County.

Last year, the District successfully embarked in the process of getting voters in the four-county area to remove a sunset provision that was going to take effect in 2023; without the removal of this provision the District would have had to significantly reduce its operations and might have even ceased to exist after January 2024. Due to the efforts of the Executive Director, Board of Directors and community partners, voters in the four County area voted to remove the sunset during the midterm elections of November 2018. This was extremely important for the District as it continues to experience increased ridership; in fact, the total number of passengers' trips amounted to 289,4440 an increase of 1.8% from the year prior. This is indeed an enormous achievement considering there was a huge increase in ridership in 2017 and there is a national trend of decreased transit ridership.

We firmly believe that investment in rural public transit remains critical because it plays a vital role in the economies in all counties and communities in which we serve. This is supported by a study conducted by the American Public Transit Association (APTA) which revealed that 87% of public transit trips directly impact the economy by connecting people to employers needing workers and to retail and entertainment venues, etc.

The following chart illustrates the amount of GRT revenues received throughout the fiscal year:





Short and Long-term Transit Service Planning and Major Initiatives

To remain solvent in the current economy, the District continues to strive to incorporate financial planning to its operating and capital planning decisions which are based on the strategic initiatives contained within its Short-term Transit Service Plan, Long Range Strategic Plan, and adopted Financial Policies. The initiatives are guided by the mission statement of the District which is to provide safe, secure and effective public transportation within North Central New Mexico to enhance the quality of life of our citizens by providing mobility options and to spur economic opportunities throughout the region.

In 2014, the District completed its internal review of the Short-term Transit Service Plan which provided the organization with a roadmap for service enhancements, modifications and future routes to be added. The plan assessed existing routes and recommended modifications to improve critical timed connections by adding additional stops on existing routes and several new routes. The District plans to begin the next update to its Short-term Transit Service Plan in 2019.

The Long-Range Strategic Plan which was adopted in Fiscal Year 2016, focuses on the long-term direction, the future of transit services and future funding strategies for the District, and plans for increasing services based upon reauthorization of the GRT funding for transit services. This plan was integrated into the 2019 budget process, served as a guideline to the 2020 budgetary process, and as a general direction of the District for the next twenty years. The Long-Range Strategic Plan contemplated a fleet maintenance facility for in-house maintenance and repair to fulfill current and future vehicle maintenance, upkeep needs and accommodate future operations and fleet expansion.

Recently, the District was awarded \$3.6 million as part of a USDOT/Federal Transit Administration (FTA) grant to build a new 12,000 sq. ft maintenance facility at the District's Española headquarters. The facility will be constructed to service the District's fleet of 65 vehicles and it include multiple bays equipped with lifts, a fueling station and a separate building to house vehicle washing bays. The strategic plans and efforts of the District's Board of Directors and management team have helped the District maintain the financial soundness of its operations and the resiliency and flexibility of its activities which have resulted in an incredibly successful year. Highlights of significant progress made during Fiscal Year 2018 include:

- Economic Vitality – Due to the efforts of a dedicated management team, the District remains in a positive financial condition despite ongoing economic challenges. We have appropriately positioned ourselves for the future in being proactive and visionary by looking for additional sources of revenues and funding. Examples of these initiatives are: the receipt of additional Tribal Transit Grants for the pueblos served by the District and collaborations with other entities such as the Jicarilla Apache Nation and Red Apple Transit.
- Quality of Life – Received and successfully secured a \$1.2 million award in Transportation Alternatives Program (TAP) funding from the Federal Highway Administration that will assist with ADA bus stop upgrades and an update of the Districts ADA Transition plan.
- Quality Governance – The District Board of Directors continued to work diligently by establishing policies that align with both our Mission and Vision Statements by enacting 41 resolutions to ensure that we continue to run in an efficient, resourceful, transparent and accountable manner. Additionally, the District continued to participate in regional planning and with regional transit partners on specific initiatives that grow transit in North Central New Mexico and New Mexico as whole.





LETTER OF TRANSMITTAL

- Connecting Communities – As a result of a year-long effort the District, in collaboration with Google Maps, started offering a customer friendly trip planning feature which provides direct access on routes, transit directions, departure times as well as seamless information for connections with other NCRTD routes, NM Rail Runner Express, New Mexico Park & Ride and ABQRide. This feature makes trip planning easy for everyone from transit novices to seasoned travelers alike. The ability to connect data with neighboring transit agencies has greatly improved inter-agency connectivity and transit options to residents as well as visitors to the region.
- Consolidation of Transit Services – During 2016-2017 the District and City of Santa Fe undertook a study to explore the opportunity for the city transit system to be consolidated into and acquired by the District in an effort to streamline services, increase operational efficiencies, pooling of resources, expansion of services and the potential for cost savings. Based on the results of the study, it was determined that further consideration of consolidation would be examined after the District had resolved its GRT sunset provision. With the removal of the sunset the District plans to bring the conversation back to the Board to see if the parties and new city management believe there is still merit to a new exploration.

The District has identified and is working on the following initiatives:

- Begin the Final Design of the fleet maintenance facility building for in-house maintenance and repair;
- Secure financing for the District's 20% share of the total cost of building the maintenance facility;
- Continue pursuing federal and state funding for regional transit improvements;
- Complete the needs assessment of the Taos maintenance and operational facilities;
- Implement technology solutions to perform run-cutting in-house as well as fleet maintenance functions;
- Acquire transit asset management software;
- Explore the acquisition of an Enterprise Resource Planning (ERP) system that supports a multi-user automated paperless workflow system, advanced project accounting and performance tracking, budgeting, multi-year contract management, grant tracking, as well as inventory and asset management;
- Continue improving the District's long-range financial projections to integrate operating needs with funding and its Long-Range Strategic Plan;
- Continue advocacy efforts with the State Legislature regarding establishment of a State Transit Fund and LANL Tax Stabilization legislation.

Awards & Recognitions

The North Central Regional Transit District is extremely proud that in recent years, our Comprehensive Annual Financial Reports (CAFRs) and Budget Books have earned the recognition of the Government Finance Officers Association (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting Award and Distinguished Budget Presentation Award respectively. The 2019 Budget book was submitted for participation in the Distinguished Budget Program and we expect to receive the distinction for a third year in a row.

It is management's intention to continue to submit this and future CAFRs to the Government Finance Officers Association of the United States and Canada for review under its Certificate of Achievement for Excellence in Financial Reporting Program. We believe that the current report continues to meet the program requirements.

The North Central Regional Transit District is one of the few entities in the State of New Mexico that have earned both accolades from GFOA.





Acknowledgements

A CAFR requires the dedicated effort of many individuals working together as a team. The preparation of this report would have not been made possible without the devoted staff of the District's Finance Department. We extend our grateful recognition to all the individuals that assisted in both the preparation of this report and the processing of financial transactions throughout the fiscal year. We also recognize AXIOM, CPAs and Business Advisers, LLP for their timely audit and expert guidance. A sincere appreciation to the Board of Directors, for their leadership and support in planning and conducting the financial operations of the District in a responsible and progressive manner; but most importantly, we express our gratitude to all the citizens of the District for their contributions, ridership, and continuous support that allowed for the removal of the gross receipts tax sunset.

Respectfully submitted,

Anthony J. Mortillaro
Executive Director

Hector E. Ordoñez, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**North Central Regional Transit District
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

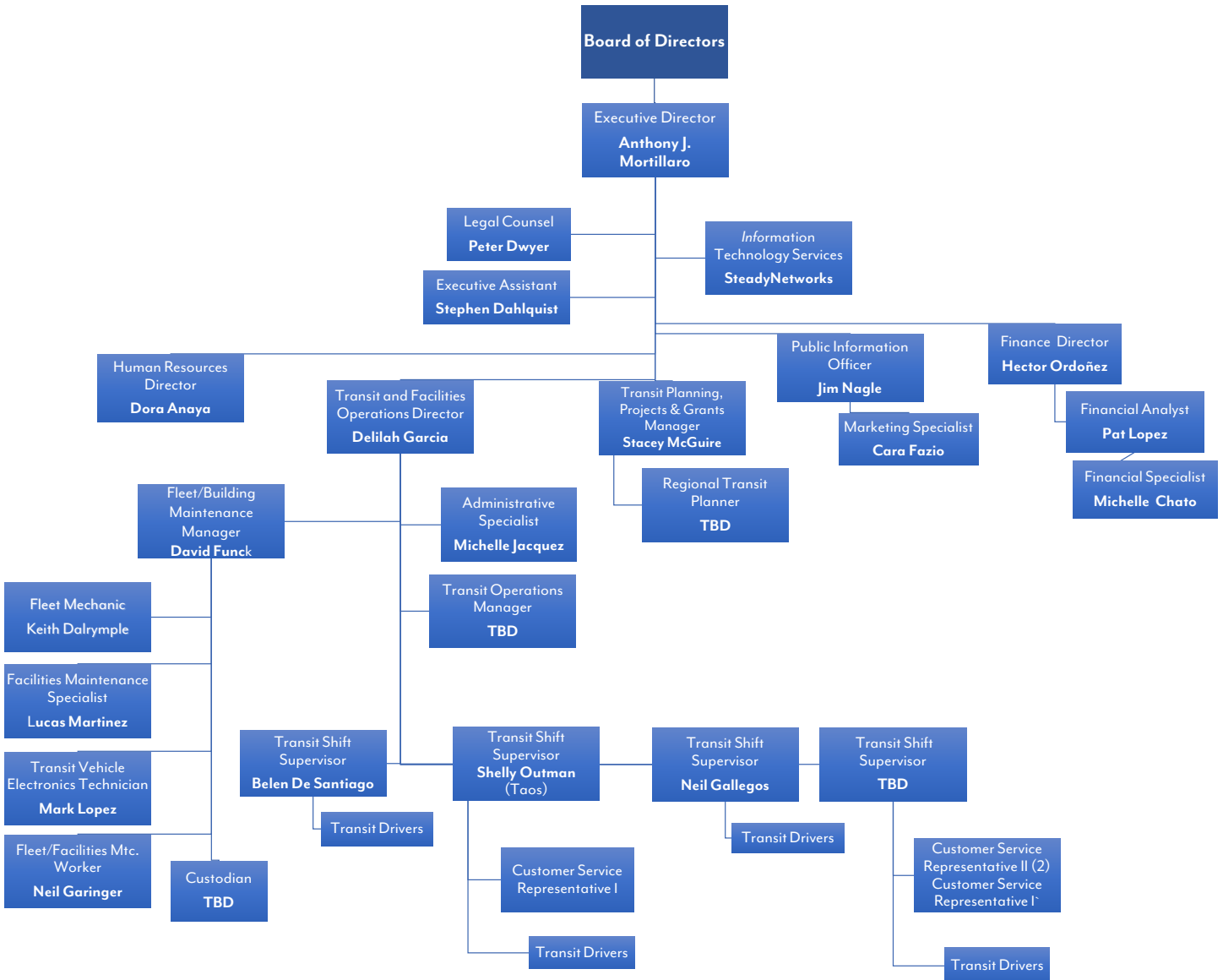
June 30, 2017

Christopher P. Morill

Executive Director/CEO



NCRTD Organizational Chart 2018



NORTH CENTRAL REGIONAL TRANSIT DISTRICT LIST OF PRINCIPAL OFFICIALS JUNE 30, 2018



Board of Directors

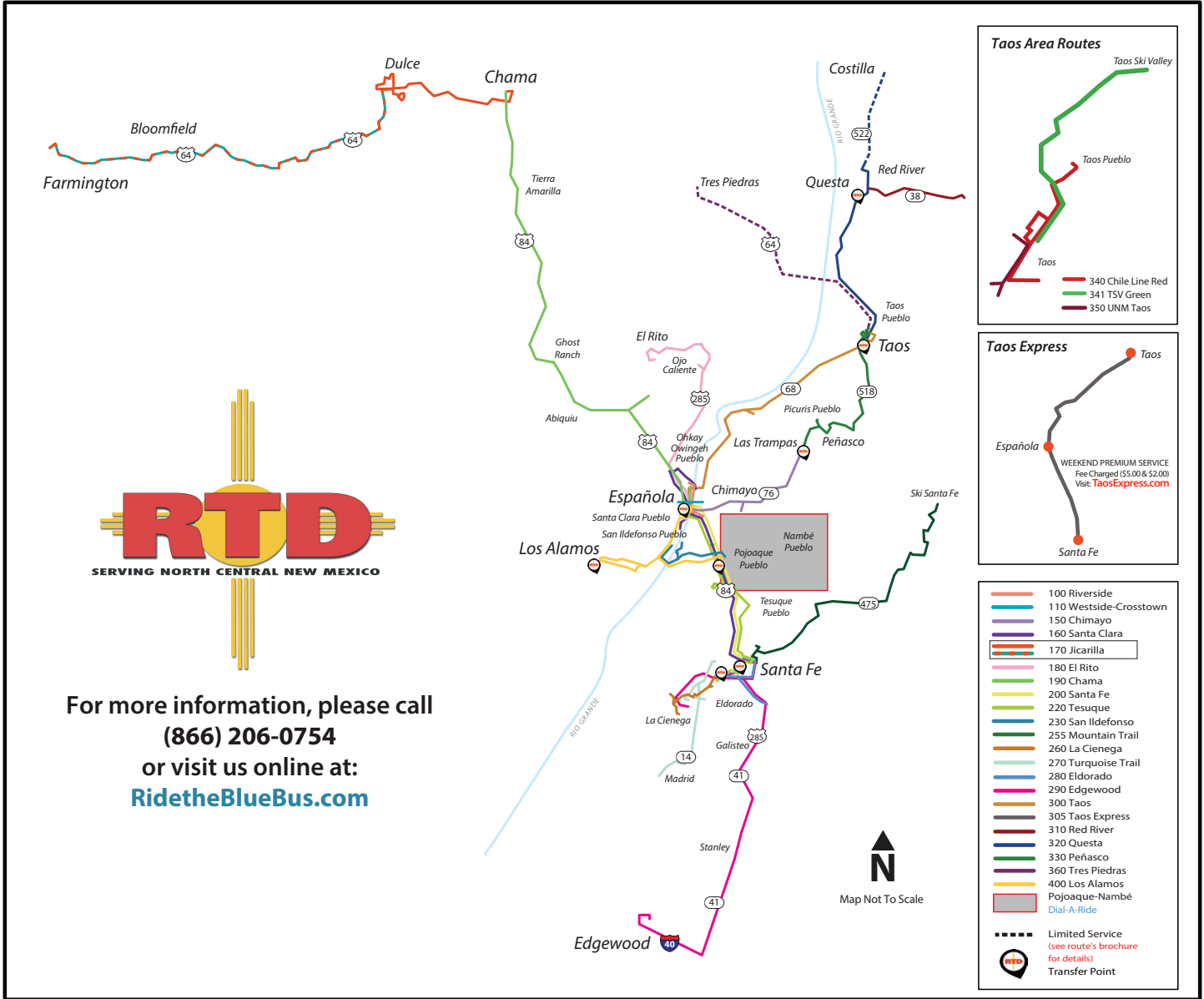
Board Member	Title	Representing
Daniel R. Barrone, Chair	Mayor	Town of Taos
Dennis Tim Salazar, Vice Chair	Councilor	City of Española
Ed Moreno, Treasurer	Commissioner	Santa Fe County
Antonio Maggiore	Councilor	Los Alamos County
Jim Fambro	Commissioner	Taos County
Danny J. Garcia	Commissioner	Rio Arriba County
Carol Romero-Wirth	Councilor	City of Santa Fe
Linda Holle	Councilor	Town of Edgewood
Anna Sanchez	Facilities Director	Pojoaque Pueblo
James Baca	Tribal Sheriff	Santa Clara Pueblo
Lillian Garcia	Planning Director	San Ildefonso Pueblo
Christy VanBuren	Planning Manager	Ohkay Owingeh Pueblo
Arnold Garcia	Lieutenant Governor	Nambe Pueblo
Charles Dorame	Former Governor	Tesuque Pueblo
Scott Flury	Village Councilor	Village of Chama

Executive and Administrative Personnel

Name	Title
Anthony J. Mortillaro	Executive Director
Hector E. Ordonez	Director of Finance
Pat Lopez	Financial Analyst
Michelle Chato	Financial Specialist



NORTH CENTRAL REGIONAL TRANSIT DISTRICT SERVICE AREA MAP



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FINANCIAL SECTION

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Independent Auditor's Report

Mr. Wayne Johnson
New Mexico State Auditor
and
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, 2018, and the related notes to the financial statements which collectively comprise the NCRTD's basic financial statements 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.

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, 2018, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the beginning balance of net position of the District has been restated due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018 and correction of errors on capital assets. The restatement resulted in a decrease and increase in the beginning balance of net position of the District of \$2,966,523 and \$138,371 for the years ended June 30, 2018 and 2017, respectively. Our opinion is not modified with respect to this matter.

Prior Year Financial Statements

The financial statements of the NCRTD, as of and for the year ended June 30, 2017, were audited by other auditors, whose report, dated December 11, 2017, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 29-39, schedule of NCRTD's proportionate share of the net pension liability, schedule of NCRTD's proportionate share of the net OPEB liability, and schedule of NCRTD's contributions on pages 76-80, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NCRTD's basic financial statements. The introductory section, statistical section, and 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*, the budgetary schedule and other schedules as required by the 2.2.2 NMAC, 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, the budgetary schedule and other schedules as required by 2.2.2 NMAC 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 federal awards, the budgetary schedule and other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2018, 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.



Albuquerque, New Mexico
December 4, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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JUNE 30, 2018 AND 2017

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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, 2018. The following discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto.

This MD&A was prepared by the Finance Department and it's based on the known facts, decisions, and conditions that existed as of December 4, 2018 (the date of the independent auditor's report). The information contained within the MD&A, as with other sections of the financial report, 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 2018 Financial Highlights

- The District's total assets/deferred outflows of resources as of June 30, 2018, increased by \$1,000,095 or 4.81% from \$20,810,386 (as restated) in FY2017 to \$21,810,481 in FY2018.
- The District's total liabilities/deferred inflows of resources at June 30, 2018, increased by \$4,078,605 or 76.19% from \$5,353,442 to \$9,432,047. This is due the retrospective effect of the implementation of GASB 75 which is related to other post-employment benefits liability.
- The District had an increase of 73.02% in accounts payable, total payables for FY2018 were \$1,051,485 as compared \$439,694 during FY2017. The \$611,791 increase is related to the accrual of 8 buses purchased in FY2018 for a total amount of \$664,169.
- The District had an increase of 70.27% in accounts receivable, overall receivables were \$2,205,767 as compared to FY2017 overall receivables of \$1,295,420, the \$910,347 increase is related to \$491,000 operating and capital purchases reimbursements expected from New Mexico Department of Transportation (NMDOT), and two months of gross receipts tax expected from the four counties. GRT Revenue increased by \$500,000 from the prior year.
- The net position of the District (assets/deferred outflows of resources less liabilities/deferred inflows of resources) at June 30, 2018, decreased 19.92% or \$3,078,510 from \$15,456,944 in FY2017 to \$12,378,434 due to a restatement entry in the amount of \$2,966,523 related the retroactive implementation of GASB-75 to other post-employment benefits.
- At June 30, 2018, total net position of \$3,268,596 was unrestricted. This is a decrease of \$3,530,740 from FY2017's unrestricted net position of \$6,799,336. This is the effect of GASB-75's implementation.
- The investment in capital assets for FY 2018 was \$9,109,838, an increase of 5.22% or \$452,230. The increase is due to the purchase of additional replacement buses, commuter vehicles, and the completion of the bus shelter (ADA Compliance) TAP program.
- Total operating and non-operating revenues decreased 4.2%, from \$7,263,391 in FY2017 to \$6,961,280 during FY2018, a difference of \$302,112.
- The District experienced a significant increase in gross receipt taxes, the \$494,761 increase (GRT Revenue went from \$7,568,341 in FY2017 to \$8,063,102 in FY2018) is a reflection of a stable economy in the four counties that we serve and continuous increase in tourism in the city of Santa Fe and Santa Fe County.



The Financial Statements

This Comprehensive Annual Financial Report (CAFR) consists of five sections: Introductory, Financial, Statistical, Single Audit, and Other Supplementary Information.

The introductory section includes the letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting Award, the District's organizational chart, a list of principal officials, and the District's service area map.

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 Statistical Section includes selected financial and demographic data related to the District, generally presented on a multi-year basis.

The Single Audit Section is required under the provisions of the Uniform Guidance 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, preceded by the Independent Auditor's Report, is intended to serve as an introduction to the Financial Section of the CAFR. 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 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:

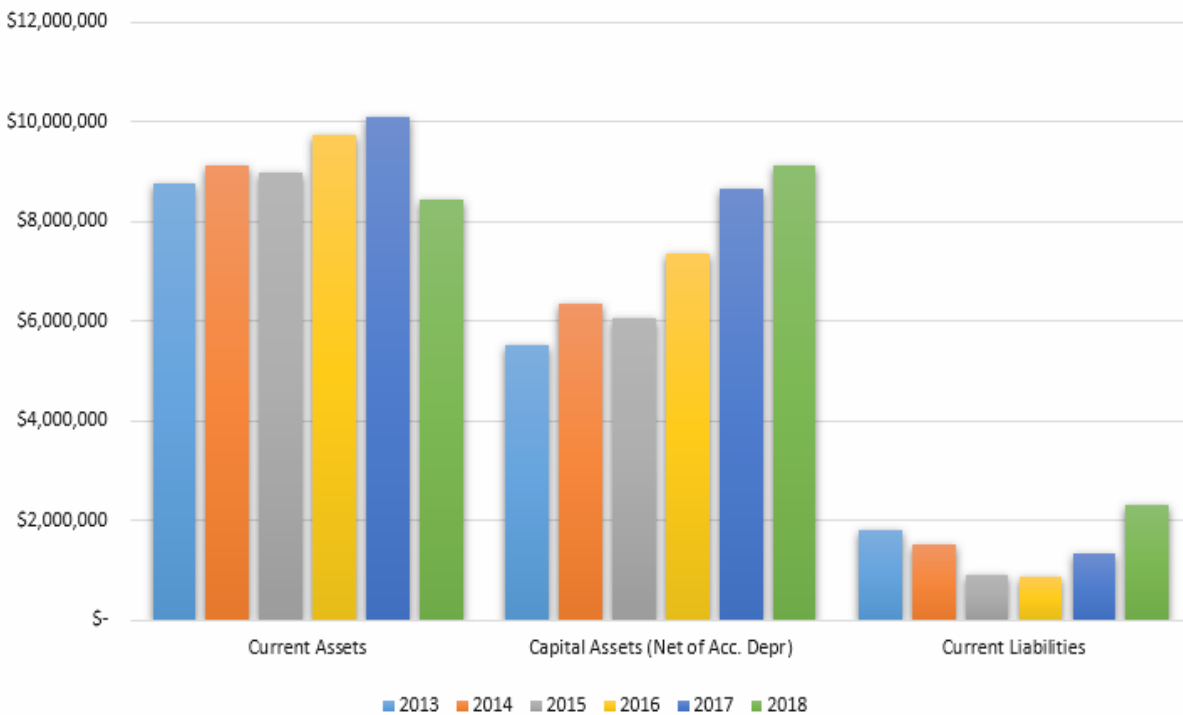
1. Cash flows from operating activities
2. Cash flows from non-capital financing activities
3. Cash flows from capital and related financing activities
4. Cash flows from investing activities

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.





Condensed Summary of Current & Capital Assets and Current Liabilities



	2018	2017	Increase (Decrease)	
			Amount	%
Assets				
Current assets	\$ 8,452,905	\$ 10,079,807	\$ (1,626,903)	-16.14%
Non-current assets	2,674,188	530	2,673,658	504463.77%
Capital assets not being depreciated	1,564,455	1,395,106	169,349	12.14%
Capital assets, net of depreciation	7,545,383	7,400,873	144,510	1.95%
Total assets	20,236,931	18,876,317	1,360,614	7.21%
Deferred outflows of resources	1,573,550	1,934,069	(360,519)	-18.64%
Total assets and deferred outflows of resources	21,810,481	20,810,386	1,000,095	4.81%
Liabilities				
Long-Term Obligations	6,318,222	3,972,730	2,345,492	59.04%
Other liabilities	2,313,791	1,337,303	976,488	73.02%
Total liabilities	8,632,013	5,310,033	3,321,980	62.56%
Deferred inflows of resources	800,034	43,409	756,625	1743.01%
Total liabilities and deferred inflows of resources	9,432,047	5,353,442	4,078,605	76.19%
Net Position				
Net investment in capital assets	9,109,838	8,657,608	452,230	5.22%
Unrestricted	3,268,596	6,799,336	(3,530,740)	-51.93%
Total net position	\$ 12,378,434	\$ 15,456,944	\$ (3,078,510)	-19.92%





Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows

Assets- The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,378,434 as of June 30, 2018, which is a \$ 3,078,510 decrease from the year ended June 30, 2017.

The largest increase in the asset section comes from non-current assets, the change is the result of a change in investment strategy. Prior to 2018, the District didn't invest in instruments with maturity dates longer than 12 months therefore, all investments were classified in the 'current assets' section. Due to a significant increase in interest rates on instruments with maturities longer than 12 months (18 to 24 months) the District decided to pursue a different strategy in order to take advantage of higher interest rates and maximize interest revenue. The investment portfolio's average rate of return in FY2017 was .88% vs 1.74% in FY2018. The average maturity in months for FY2017 was 9 months vs. 18.43 months in FY2018.

Capital Assets- The largest portion of the District's net position reflects significant 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 in 71 communities in Santa Fe, Los Alamos, Rio Arriba, and Taos counties. During 2018, costs associated with acquisition of assets totaled \$ 1,295,739. Major projects included the following:

- Replacement of 9 buses in the fleet
- Purchase of 3 Commuter Vehicles
- Installation of a backup server in the Española Administrative Office
- Completion of the shelter ADA improvements/Compliance project
- Installation of our Intelligent Transit System in all buses acquired
- Purchase of additional DVR Equipment

Readers desiring more detailed information on the District's capital assets related activities should read Note 8 - 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 12 of the notes to the financial statements:

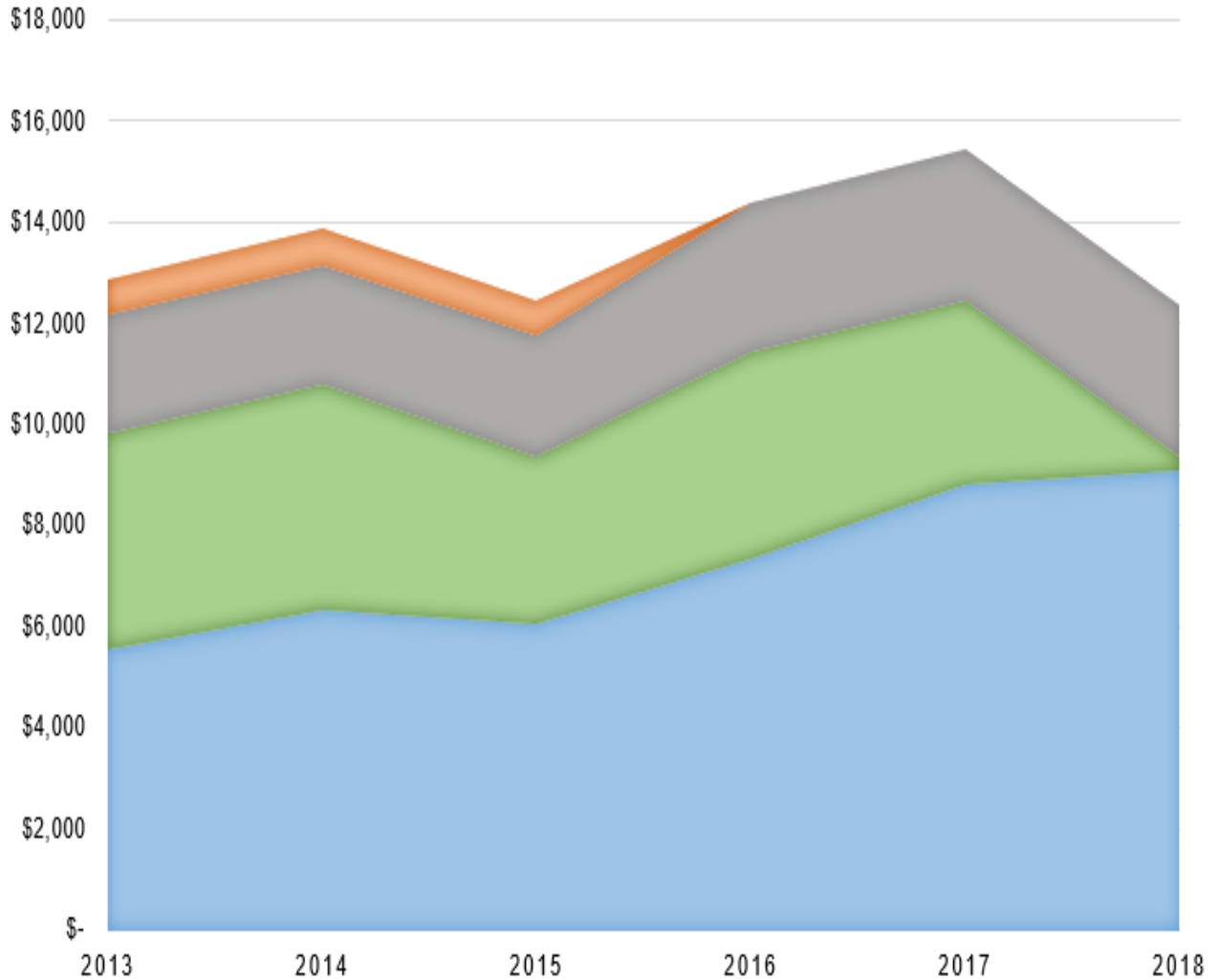
- Designated – Represents the Board's commitment through financial policies to always hold 25% of revenues as unobligated cash for financial stability of the District
- Undesignated – Represents the remaining balance of unrestricted net position for future budget needs of the District in accordance with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



MANAGEMENT'S DISCUSSION & ANALYSIS

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, 2018.

NET POSITION OVER TIME (IN THOUSANDS)



	2013	2014	2015	2016	2017	2018
Investment in Capital Assets	\$ 5,539,060	\$ 6,338,336	\$ 6,068,352	\$ 7,360,990	\$ 8,795,979	\$ 9,109,838
Unrestricted - Undesignated	4,299,345	4,445,294	3,300,960	4,087,481	3,657,433	249,888
Unrestricted - Designated	2,338,178	2,380,518	2,401,743	2,921,037	3,003,532	3,018,708
Restricted	700,000	700,000	700,000	-	-	-
Total	\$ 12,876,583	\$ 13,864,148	\$ 12,471,055	\$ 14,369,508	\$ 15,456,944	\$ 12,378,434



	2018	2017	Increase (Decrease)	
			Amount	%
Operating revenues				
Charges for Services	\$ 85,779	\$ 140,488	\$ (54,709)	-38.94%
Non Operating revenues by major source				
Grants and local match	3,674,611	4,213,188	(538,577)	-12.78%
Gross receipts and other taxes	8,063,102	7,568,341	494,761	6.54%
Investment and interest	34,652	25,165	9,487	37.70%
Capital Contributions	-	-	-	0.00%
Miscellaneous	16,837	40,080	(23,243)	-57.99%
Total revenues	11,874,981	11,987,262	(112,281)	-0.94%
Operating expenses				
Employee Salaries and Benefits	4,396,492	4,011,384	385,108	9.60%
Professional Services	281,110	250,893	30,218	12.04%
Training and licenses	84,300	64,626	19,674	30.44%
Insurance and utilities	318,912	187,020	131,892	70.52%
Materials and supplies	6,784	6,826	(42)	-0.61%
Transit	47,430	45,562	1,868	4.10%
Equipment, repairs and maint	930,932	892,676	38,256	4.29%
Other	25,427	10,929	14,498	132.67%
Depreciation	981,880	844,403	137,477	16.28%
Non Operating expenses				
Contributions	4,913,701	4,708,159	205,542	4.37%
Disposal of assets	-	15,711	(15,711)	-100.00%
Total expenses	11,986,968	11,038,187	948,781	8.60%
Change in net Position	(111,987)	949,074	(1,061,062)	-111.80%
Net position - beginning as restated	12,490,421	14,507,870	(2,017,449)	-13.91%
Net Position - ending	\$ 12,378,434	\$ 15,456,944	\$ (3,078,511)	-19.92%

Revenues

Total revenues decreased \$112,570 or 1.36 %, from \$11,987,262 in FY2017 to 11,874,981 in FY2018. Increases (decreases) are described below:

- Charges for Services (program revenue) – Farebox receipts, demand fares, insurance proceeds, investment and interest revenues, disposal of assets, and other program specific revenues are included in this categories. Charges for services revenue for the year ended June 30, 2018 decreased by \$54,709 (38.94%) compared with year ended June 30, 2017. This decrease is attributed to significantly less insurance proceeds and Mountail Trail Fares received in FY2018 when compared to FY2017. The decrease in insurance proceeds was \$44,043 and Santa Fe Mountail Trail's fares decreased by \$8,300.





MANAGEMENT'S DISCUSSION & ANALYSIS

- 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. 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, 2018, the District only received \$17,486 in contributions from the pueblos, this is a decrease of \$216,633 from the year ended June 30, 2017. We were unable to close out 2 significant grants. We expect to receive approximately \$420,000 in FY2019 once we close those 2 grants as well as the ones for the appropriate year; therefore, the formula-based allocation and 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; no capital outlay funds were allocated for FY2018.
- 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, 2018, the District received \$3,149,703 as compared to the year ended June 30, 2017 which only received \$3,389,439. The difference of \$239,736 is attributed to the completion of the TAP (ADA Bus Shelter Compliance) capital project.
- 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 67.9% of the District's revenue for year ended June 30, 2018. Revenue received from gross receipt and other taxes increased \$494,761 (6.54%).

Expenses

Total expenses increased \$1,019,200 or 9.37%, from \$10,881,989 in FY2017 to \$11,874,981 in FY2018. Some expense categories had increases, while other expense categories such as professional services had decreases. The most impactful increases are described below:

- Personnel Services - The personnel and related costs increased by \$385,108 (9.6%) in the year ended June 30, 2018, compared to that of the year ended June 30, 2017. This increase relates to a slight increase of personnel (3 FTE's), and a 3% labor agreement increase for all drivers and increase in associated pension costs.
- Insurance Expense - The costs in this category increased by \$120,299 (109.81%) in the year ended June 30, 2018, compared to the year ended June 30, 2017. This was due to the significant increase of equipment purchases, insurance of additional assets such as the Taos facility, and related equipment 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 implementations made during Fiscal year 2018 as well as a significant increase (approx. 32%) of workers comp and unemployment insurance.





- Depreciation - The costs in this category increased by \$137,477(16.23%) in the year ended June 30, 2018, compared to the year ended June 30, 2017. The increase is due to the arrival of ten (10) replacement buses that were put into service in FY2018 as well as a restatement (see note 18) to record depreciate assets from prior years.

Capital Assets and Long-Term Debt

The District's investment in capital assets as of June 30, 2018, amounts to \$11,784,026 (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 2018. For the past ten years, the District has seen a slight decline in GRT revenues ranging from 3-5% annually until FY2014 when we saw the first increase of 1.0% and FY2015 saw another increase of 7.1%. However, GRT received FY2018 increased by 1.37% this was mainly due to a significant increase in tourism in Santa Fe County.

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 FY2017. This is a huge accomplishment considering that unlinked passenger trips saw an average decrease of 4.7% across the United States.

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 E. 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.



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BASIC FINANCIAL STATEMENTS



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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018	2017 As Restated
ASSETS		
Current		
Cash and cash equivalents	\$ 2,107,629	\$ 1,753,044
Investments	2,512,440	5,432,405
Receivables	2,205,767	1,295,420
Due from other governments	1,598,874	1,598,657
Prepaid expenses	28,195	282
Total current assets	<u>8,452,905</u>	<u>10,079,808</u>
Noncurrent		
Investments	2,673,658	-
Other assets	530	530
Land and construction in progress	1,564,455	1,395,106
Capital assets, net of accumulated depreciation	<u>7,545,383</u>	<u>7,400,873</u>
Total non-current assets	<u>11,784,026</u>	<u>8,796,509</u>
Total assets	<u>20,236,931</u>	<u>18,876,317</u>
Deferred outflows of resources		
Pension deferral	1,523,587	1,934,069
OPEB Related	49,963	-
Total deferred outflows of resources	<u>1,573,550</u>	<u>1,934,069</u>
Total assets and deferred outflows of resources	<u>\$ 21,810,481</u>	<u>\$ 20,810,386</u>
LIABILITIES		
Current		
Accounts payable	\$ 1,051,485	\$ 439,694
Due to other governments	1,013,192	680,241
Accrued Wages	184,786	150,779
Compensated absences - current portion	64,094	65,898
Other accrued liabilities	234	691
Total current liabilities	<u>2,313,791</u>	<u>1,337,303</u>
Noncurrent		
Compensated absences - non-current portion	119,033	84,017
Net pension liability	3,701,784	3,888,713
Net OPEB liability	2,497,405	-
Total non-current liabilities	<u>6,318,222</u>	<u>3,972,730</u>
Total liabilities	<u>8,632,013</u>	<u>5,310,033</u>
Deferred inflows of resources		
Deferred revenues	2,522	2,522
Pension related	229,109	40,887
OPEB related	568,403	-
Total deferred inflows of resources	<u>800,034</u>	<u>43,409</u>
NET POSITION		
Net investment in capital assets	9,109,838	8,657,608
Unrestricted	<u>3,268,596</u>	<u>6,799,336</u>
Total net position	<u>12,378,434</u>	<u>15,456,944</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 21,810,481</u>	<u>\$ 20,810,386</u>

See the accompanying notes to the financial statements.






**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARTIVE TOTALS FOR 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services (program revenues)	\$ 85,779	\$ 140,488
Total operating revenues	<u>85,779</u>	<u>140,488</u>
OPERATING EXPENSES		
Personnel Services		
Salaries and wages	2,861,463	2,666,818
Payroll taxes	186,170	170,579
Employee benefits	1,348,859	1,173,987
Total personnel services	<u>4,396,492</u>	<u>4,011,384</u>
Other operating expenses		
Advertising	86,928	81,184
Dues, licenses, and fees	21,872	23,386
Equipment expense	131,051	152,705
Insurance	229,855	109,556
Travel, meetings, lodging, and per diem	35,046	24,789
Occupancy and utilities	46,130	34,186
Office supplies, postage, and photocopies	47,430	45,141
Penalties and interest	-	457
Professional services	194,182	169,709
Repairs and maintenance	36,284	26,765
Telephone and internet	42,927	43,277
Training	27,382	16,451
Transit expenses	6,784	6,826
Uniforms	7,466	421
Vehicle repair and maintenance	756,131	713,206
Miscellaneous expenses	25,427	10,471
Depreciation	981,880	844,403
Total other operating expenses	<u>2,676,775</u>	<u>2,302,933</u>
Total operating expenses	<u>7,073,267</u>	<u>6,314,318</u>
Operating income (loss)	<u>(6,987,488)</u>	<u>(6,173,829)</u>
NON-OPERATING REVENUE (EXPENSES)		
Federal grants	3,149,703	3,389,439
Tribal and state grants	40,952	234,119
State capital outlay appropriation	-	93,000
Member local match	483,956	496,630
Gross receipts and other taxes	8,063,102	7,568,341
Gross receipts contributions to other entities	(4,913,701)	(4,708,159)
Gain/(loss) on disposal of assets	-	(15,711)
Advertising sales	15,862	26,866
Other revenue	975	13,214
Investment income	34,652	25,165
Total non-operating revenue (expenses)	<u>6,875,501</u>	<u>7,122,903</u>
Change in net position	(111,987)	949,074
Net position - beginning as previously reported	15,456,944	14,369,499
Restatement - (note 18)	(2,966,523)	138,371
Net position - beginning as restated	<u>12,490,421</u>	<u>14,507,870</u>
Net position - ending	<u>\$ 12,378,434</u>	<u>\$ 15,456,944</u>

See Notes to Financial Statements.

 NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 Statements of Cash Flows
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Cash received from customers (charges for services)	\$ (824,568)	140,489
Cash paid to employees (personnel services)	(3,896,306)	(3,584,221)
Cash paid to suppliers (other operating expenses)	(750,610)	(1,707,254)
Net cash provided by (used for) operating activities	<u>(5,471,484)</u>	<u>(5,150,986)</u>
Cash Flows from Noncapital Financing Activities:		
Cash received from grants and agreements	3,691,448	4,253,267
Cash received from gross receipts and other taxes	8,063,102	7,568,341
Cash contributed to other entities from gross receipts taxes	(4,913,701)	(4,708,159)
Net cash provided by (used for) noncapital financing activities	<u>6,840,849</u>	<u>7,113,449</u>
Cash Flows from Capital and Related Financing Activities:		
Cash paid for acquisition of capital assets	(1,295,739)	(2,380,914)
Cash received from sale of capital assets	-	-
Net cash provided by (used for) capital and related financing activities	<u>(1,295,739)</u>	<u>(2,380,914)</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	1,020,099	5,289,770
Purchase of investments	(773,792)	(4,430,122)
Investment income	34,652	25,165
Net cash provided by (used for) investing activities	<u>280,959</u>	<u>884,813</u>
Net increase (decrease) in cash and cash equivalents	354,585	466,362
Cash and cash equivalents, beginning of year	1,753,044	1,286,682
Cash and cash equivalents, end of year	<u>\$ 2,107,629</u>	<u>1,753,044</u>
Reconciliation of operating gain/(loss) to net cash provided by (used for) by operating activities		
Operating income/(loss)	\$ (6,987,488)	(6,173,829)
Adjustments to reconcile operating income/(loss) in net position to cash provided by operating activities:		
Depreciation expense	981,880	844,403
(Gain)/loss on disposal of assets	-	15,711
Change in assets and liabilities:		
Other Liabilities	(457)	-
Due to Others	332,951	-
Other assets	-	(480)
Accounts receivable	(910,347)	(404,559)
Prepaid expenses	-	2,821
Accounts payables	611,791	137,783
Accrued wages	34,007	(14,981)
Compensated absences	33,212	27,596
Pension/OPEB and related accounts	432,967	414,549
Net cash provided by (used for) operating activities	<u>\$ (5,471,484)</u>	<u>(5,150,986)</u>

See the accompanying notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS



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**NOTE 1. NATURE OF OPERATIONS**

Purpose – The North Central Regional Transit District 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 entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 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.





NOTE 1. NATURE OF OPERATIONS (CONTINUED)

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.

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



**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2018.
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 – 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, 2017, from which the summarized information was derived.

F – 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

G – 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.





NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

<u>Classification</u>	<u>Estimated Useful Life</u>
Land	Perpetuity
Buildings and improvements	20-40 years
Leasehold improvements	20 years
Vehicles	5-7 years
Vehicles component and related equipment	7-10 years
Office and maintenance	5-7 years
Bus shelters and shelter improvements	20 years

H – 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, 2018 and 2017, respectively, the NCRTD did not receive any contributed capital assets.

I – 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



**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2018.

J – Grant Revenues

Proceeds from the Department of Transportation and other grants are considered voluntary nonexchange revenues under GASB Statement No. 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.

K – 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, 2018 received \$93,000 as of June 30, 2017.

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.





NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K – BUDGETS (CONTINUED)

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 2018 and 2017 budget has been legally adopted.

L – Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M – Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N – 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:

<u>Deferred Outflows of Resources</u>	<u>2018</u>	<u>2017</u>
Pension related	\$ 1,523,587	1,934,069
OPEB related	<u>49,963</u>	-
Total deferred outflows of resources	<u>\$ 1,573,550</u>	<u>1,934,069</u>

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 inflows of resources as of June 30:

<u>Deferred Inflows of Resources</u>	<u>2018</u>	<u>2017</u>
Pension related	\$ 229,109	40,887
OPEB related	<u>568,403</u>	-
Total deferred inflows of resources	<u>\$ 797,512</u>	<u>40,887</u>

Certain accounts in 2017 amounts were reclassified to conform with the 2018 presentation.





NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P—Evaluation of Subsequent Events

Management has evaluated subsequent events through November 30, 2018, which is the date the financial statements were available to be issued.

NOTE 3. CASH AND CASH EQUIVALENTS

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

Cash and Cash Equivalents	2018	2017
Los Alamos National Bank – Checking	\$ 2,107,629	1,753,044
Total cash and cash equivalents	\$ 2,107,629	1,753,044

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, 2018, and 2017, 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.

NOTE 4. INVESTMENTS

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

Investments	2018	2017
Brokered CDs	\$ 5,175,661	5,422,092
State of NM LGIP	10,437	10,313
Total investments	\$ 5,186,098	5,432,405

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, 2018, and 2017, respectively.





NOTE 4. INVESTMENTS (CONTINUED)

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.

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.





NOTE 4. INVESTMENTS (CONTINUED)

As of June 30, 2018, NCRTD’s bank and investment balances of \$7,364,646 were exposed to custodial credit risk as follows:

Amount of deposits	\$ 7,364,646
FDIC coverage	<u>(5,162,886)</u>
Total uninsured public funds	<u>2,201,760</u>
Collateralized by securities held by the pledging institution Or agent in other than the District’s name	3,053,634
Collateral requirement (50%)	<u>1,100,880</u>
Over (under) collateralization	<u>\$ 1,952,754</u>

As of June 30, 2018, the NCRTD has the following invested in the State Treasurer Local Government Investment

<u>Financial Institution</u>	<u>Cost Basis</u>	<u>Market</u>	<u>Risk Rating</u>
State of NM Local Government Investment Pool (LGIP)	\$ 10,437	10,437	AAAm

Pool:

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 Statement No. 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.





NOTE 4. INVESTMENTS (CONTINUED)

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, 2018, the NCRTD's investment in the New MexiGROW Local Government Investment Pool (LGIP) was rated AAAM by Standard & Poor's. The independent auditor's report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditor's report on compliance and internal controls are available from New Mexico State Treasurer, 2019 Galisteo Street, Bldg K, Santa Fe, New Mexico 87504, upon written request.

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

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

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

Fair Values Measurement (GASB Statement No. 72) – In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB Statement No. 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.





NOTE 4. INVESTMENTS (CONTINUED)

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.

GASB Statement No. 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.
- d. 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).

<u>Type</u>	<u>2018</u>	<u>2017</u>
AR – Customers	\$ 13,370	89,607
Federal Transit administration	72,950	-
NM DOT federal grant receivable	1,897,146	983,512
Tribal transit receivable	<u>222,301</u>	<u>22,301</u>
Total	<u>\$ 2,205,767</u>	<u>1,295,420</u>

NOTE 5. RECEIVABLES

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, 2018.





NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. DUE TO/FROM OTHER GOVERNMENTS

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

<u>Due to entity</u>	<u>Purpose</u>	<u>2018</u>	<u>2017</u>
Rio Metro RD	Gross receipts tax contribution	\$ 647,474	411,033
Los Alamos Atomic Transit	Gross receipts tax contribution	365,718	
City of Santa Fe	Gross receipts tax contribution	-	269,208
Total due to other governments		\$ 1,013,192	680,241

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

<u>Due from entity</u>	<u>Purpose</u>	<u>2018</u>	<u>2017</u>
Los Alamos County	Gross receipts pass-through	\$ 418,831	491,755
Rio Metro Regional	Gross receipts pass-through	1,306	-
Taos County	Gross receipts pass-through	148,758	150,185
Rio Arriba	Gross receipts pass-through	121,359	134,652
Santa Fe County	Gross receipts pass-through	908,620	822,066
Total GRT due from other governments		\$ 1,598,874	1,598,657

NOTE 7. ACCRUED WAGES

Accrued wages at June 30, consist of the following:

<u>Type</u>	<u>2018</u>	<u>2017</u>
Accrued payroll	\$ 143,612	73,273
Payroll related taxes and deductions	41,174	77,506
Total	\$ 184,786	150,779




NOTE 8. PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment are summarized as follows:

Business-Type Activities	2017	Restatement	Additions	Deletions	Transfers	2018
Capital assets not being depreciated:						
Land	\$ 1,239,455	325,000	-	-	-	1,564,455
Construction in progress	155,651	(123,605)	-	-	(32,046)	-
Total capital assets not being depreciated	1,395,106	201,395	-	-	(32,046)	1,564,455
Capital assets being depreciated:						
Vehicles	6,452,052	(582)	818,591	(125,727)	(6,424)	7,137,910
Vehicles component and related equipment	-	-	193,061	-	759,681	952,742
Furniture, fixtures, and equipment	373,422	-	-	-	(373,422)	-
Office and maintenance equipment	-	-	34,699	-	86,451	121,150
Bus shelter and shelter improvement	-	-	249,388	-	786,538	1,035,926
Buildings and improvements	3,721,134	79,804	-	-	(553,821)	3,247,117
Leasehold improvements	183,968	-	-	-	(183,968)	-
Intangible assets	628,649	(145,660)	-	-	(482,989)	-
Total capital assets being depreciated	11,359,225	(66,438)	1,295,739	(125,727)	32,046	12,494,845
Less accumulated depreciation for:						
Vehicles	(3,284,875)	(17,314)	(755,792)	125,727	153	(3,932,101)
Vehicles component and related equipment	-	-	(81,004)	-	(181,565)	(262,569)
Furniture, fixtures, and equipment	(113,898)	(985)	-	-	114,883	-
Office and maintenance equipment	-	-	(9,471)	-	(60,907)	(70,378)
Bus shelters and shelters improvement	-	-	(50,379)	-	(134,672)	(185,051)
Buildings and improvements	(534,236)	(136)	(85,234)	-	120,243	(499,363)
Leasehold improvements	(265)	-	-	-	265	-
Intangible assets	(163,449)	21,849	-	-	141,600	-
Total accumulated depreciation	(4,096,723)	3,414	(981,880)	125,727	-	(4,949,462)
Total capital assets being depreciated	7,262,502	(63,024)	313,859	-	32,046	7,545,383
Capital assets, net	\$ 8,657,608	138,371	313,859	-	-	9,109,838

For the years ended June 30, 2018 and 2017, depreciation expense was \$981,880 and \$844,403, respectively. As of the year ended June 30, 2018 and 2017, respectively, the NCRD 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.





NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

	Balance			Balance	Due Within
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>	<u>One Year</u>
Compensated absences	\$ 149,915	111,518	(78,306)	183,127	64,094
Total	\$ 149,915	111,518	(78,306)	183,127	64,094

Prior year compensated absences have been liquidated by the operating fund. No short-term debt was incurred during fiscal year 2018 or 2017.

NOTE 10. 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 was set to sunset in 2023; therefore, a district-wide election was held this year in order to renew the tax. The

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. 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 contributes 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 amounts contributed for the years ended June 30:

<u>Type</u>		<u>2018</u>	<u>2017</u>
Gross receipts and other taxes	\$	8,063,102	7,568,341
Less: Gross receipts contributions to other entities		(4,913,701)	(4,708,159)
Net GRT	\$	3,149,401	2,860,182

NOTE 11. 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 12. 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.

Type	2018	2017
Undesignated	\$ 249,888	3,795,804
Designated	3,018,708	3,003,532
Total	\$ 3,268,596	6,799,336

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

Plan Description. The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, 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 PERA 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

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

TIER II

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





NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

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. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 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.





NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Contributions. See PERA's comprehensive annual financial report for Contribution provided description.

PERA Contribution Rates and Pension Factors as of July 1, 2017

PERA Contribution Rates and Pension Factors as of July 1, 2017						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
MUNICIPAL POLICE PLANS 1 - 5						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
MUNICIPAL FIRE PLANS 1 - 5						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%





NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

For PERA Fund Division Municipal General, at June 30, 2018, the District reported a liability of \$3,701,784 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.2694 %, which was a decrease of 0.0260% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$699,741. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	145,455	189,594
Changes in assumptions		170,707	38,253
Net difference between projected and actual earnings on pension plan investments		303,709	-
Changes in proportion and differences between District's contributions and proportionate share of contributions		525,052	1,262
District's contributions subsequent to the measurement date		<u>378,664</u>	<u>-</u>
Total	\$	<u>1,523,587</u>	<u>229,109</u>

\$378,664 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		
2019	\$	326,803
2020		547,998
2021		129,771
2022		(88,758)
2023		<u>-</u>
Total	\$	<u>915,814</u>





NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Amortization
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefits	100 years
Payroll Growth	2.75% for first 9 years, then 3.25% annual rate
Includes inflation at	2.25% annual rate first 9 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 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	





NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (CONTINUED)

Discount rate. A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<u>PERA Fund Municipal General Division</u>	<u>(6.51%)</u>	<u>(7.51%)</u>	<u>(8.51%)</u>
District's proportionate share of the net pension liability	\$ <u>5,801,918</u>	<u>3,701,784</u>	<u>1,955,230</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.

Payables to the pension plan. At June 30, 2018, there were \$37,690 in contributions due and payable to PERA for the District.

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.





NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees covered by benefit terms. At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$74,945 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$2,497,405 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.0511 percent. For the year ended June 30, 2018, the District recognized OPEB expense of \$99,285. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	95,837
Changes of assumptions	-	436,639
Net difference between projected and actual earnings on OPEB plan investments	-	35,927
Contributions made after the measurement date	<u>49,963</u>	<u>-</u>
Total	<u>\$ 49,963</u>	<u>568,403</u>





NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Deferred outflows of resources totaling \$49,963 represent District’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (120,847)
2020	(120,847)
2021	(120,847)
2022	(120,847)
2023	<u>(85,015)</u>
Total	\$ (568,403)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method basis	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.





NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Rate of Return
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non-U.S. - emerging markets	12.2
Non-U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	(2.81%)	(3.81%)	(4.81%)
District’s proportionate share of the OPEB liability	\$ 3,029,313	2,497,405	2,080,075

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
	\$ 2,124,215	2,497,405	2,788,401

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.





NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Payables to the OPEB plan. At June 30, 2018, there were no contributions due and payable to RHC for the District.

NOTE 15. 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, 2018 were as follows:

<u>Type</u>	<u>2018</u>	<u>2017</u>
Employer	\$ 23,310	10,590
Employee	<u>17,337</u>	<u>14,038</u>
Total	<u>\$ 40,647</u>	<u>24,628</u>

NOTE 16. 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.

NOTE 17. 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 18. RESTATEMENT

The District's net position as of July 1, 2017 was decreased by \$2,966,523 reflecting the cumulative retrospective effect of the adoption of GASB Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pension) and was recorded as a prior period adjustment. The 2017 amounts as presented were not restated as necessary information is not available to do such restatement.

During the fiscal year ended June 30, 2018, it was noted that some capital assets were improperly maintained during the previous years. The District has been manually tracking all assets and useful lives, resulting in several items not being included in capital asset listing. In addition, it was noted that individual items were improperly reported in categories, transfers were preformed to correct such misclassification.

Construction in Progress	\$	(123,605)
Land		325,000
Vehicles, net		(17,896)
Furniture, fixtures, and equipment		(985)
Building and improvements, net		79,668
Intangible, net		<u>(123,811)</u>
Total	\$	<u>138,371</u>



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REQUIRED SUPPLEMENTARY INFORMATION





NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Required Supplementary Information
Schedule of 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:			
		2018 2017	2017 2016	2016 2015	2015 2014
The NCRTD's proportion of the net pension liability (asset) (%)		0.27%	0.24%	0.19%	0.19%
The NCRTD's proportionate share of the net pension liability (asset) (\$)	\$	3,701,784	3,888,713	1,901,529	1,458,021
The NCRTD's covered payroll	\$	2,499,599	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		148.10%	171.08%	91.13%	98.28%
Plan fiduciary net position as a percentage of the total pension liability		73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the North Central Regional Transit is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Independent Auditor's Report.





NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 Schedule of Required Supplementary Information
 Schedule of Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Division; Municipal General Division
 Last 10 Fiscal Years*

	June 30:			
Fiscal Year	2018	2017	2016	2015
Measurement Date	2017	2016	2015	2014
Statutory required contribution	\$ 378,689	217,078	199,280	141,685
Contributions in relation to the contractually required contribution	(378,689)	(217,078)	(199,280)	(141,685)
Annual contribution deficiency (excess)	\$ -	-	-	-

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the North Central Regional Transit is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See Independent Auditor's Report.





NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability of NMRHC Fund Division;
New Mexico Retiree Health Care Plan
Last 10 Fiscal Years*

	Fiscal Year	June 30:
	Measurement Date	2018
		2017
The NCRTD's proportion of the net OPEB liability		0.0551%
The NCRTD's proportionate share of the net OPEB liability	\$	2,497,405
The NCRTD's covered payroll	\$	2,295,668
The NCRTD's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		108.79%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the North Central Regional Transit will present information for available years.

See Independent Auditor's Report.





NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Required Supplementary Information
Schedule of Contributions
New Mexico Retiree Health Care Plan
NMRHC Fund Division
Last 10 Fiscal Years*

	Fiscal Year Measurement Date	June 30: 2018 2017
Contractually required contribution	\$	175,000
Contributions in relation to the contractually required contribution		87,831
Contribution deficiency	\$	87,169
NCRTD's covered payroll		2,295,688
Contributions as a percentage of covered-employee payroll		3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the North Central Regional Transit will present information for available years.

See Independent Auditor's Report.



Changes of benefit terms.

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes of assumptions and methods.

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%

*Refer to the RHCA Report for the OPED related notes.



SUPPLEMENTARY INFORMATION



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**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, 2018**

	Original	Final	Actual	Variance
Operating Revenues				
Revenue				
Charges for services	\$ 40,500	\$ 40,500	\$ 85,779	\$ 45,279
Operating Expenses				
Personnel services	3,763,759	4,359,037	4,396,492	(37,455)
Other operating expenses	1,314,978	1,450,829	1,694,895	(244,066)
Capital outlay	2,411,918	2,044,550	1,295,739	748,811
Total operating expenses	<u>7,490,655</u>	<u>7,854,416</u>	<u>7,387,126</u>	<u>467,290</u>
Operating income (loss)	<u>(7,450,155)</u>	<u>(7,813,916)</u>	<u>(7,301,347)</u>	<u>512,569</u>
Nonoperating Revenues (Expenses)				
Federal grants	3,936,422	3,463,573	3,149,703	313,870
Tribal transit grants	-	470,865	40,952	429,913
Advertising Sales	26,000	31,000	15,862	15,138
State appropriation	93,000	-	-	-
Member local match	143,449	132,324	483,956	(351,632)
Gross receipts and other taxes	7,690,128	7,222,500	8,063,102	(840,602)
Gross receipts contributions to other entities	(4,913,701)	(4,913,701)	(4,913,701)	-
Investment and interest income	30,000	30,000	34,652	(4,652)
Other income	-	-	975	(975)
Total nonoperating revenues (expenses)				
Income (loss)	<u>7,005,298</u>	<u>6,436,561</u>	<u>6,875,501</u>	<u>(438,940)</u>
Cash balance budgeted	<u>937,233</u>	<u>107,974</u>		
Total nonoperating revenues (expenses)				
Income (loss), including budgeted cash balance	<u>7,942,531</u>	<u>6,544,535</u>		
Change in net position	<u>\$ 492,376</u>	<u>\$ (1,269,381)</u>	<u>\$ (425,846)</u>	<u>\$ 73,629</u>

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

Change in net position-budget basis	\$ (425,846)
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	(981,880)
Capital outlay that was capitalized on the statement of net position but not on non-GAAP Budget Basis	1,295,739
Gain/(loss) on sale of capital asset, taken into account on balance sheet but was not on non-GAAP Budget Basis	-
Change in net position-business type activity - full accrual basis	<u>\$ (111,987)</u>



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STATISTICAL SECTION

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FINANCIAL STATISTICS





**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
NET POSITION BY COMPONENT (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Business-type activities				
Investment in capital assets	\$ 1,245,723	\$ 2,841,769	\$ 3,851,537	\$ 5,593,594
Restricted	490,157	700,000	700,000	700,000
Unrestricted	880,600	3,012,084	5,080,645	5,491,203
Total business-type activities net position	<u><u>\$ 2,616,480</u></u>	<u><u>\$ 6,553,853</u></u>	<u><u>\$ 9,632,182</u></u>	<u><u>\$ 11,784,797</u></u>

Source: Current and prior year's financial statements

Notes:

- [a] The District implemented GASB 68 during FY2015 which is related to pension liabilities. The reduction of net position is related to the recording of pension expense and the associated deferred inflows and outflows of resources.
- [b] The District acquired the transit vehicle and shelters from the Town of Taos on July 1, 2015 to operate the Chili Line Transit system.
- [c] The District modified the annual funding agreement during FY2016 with the Incorporated County of Los Alamos to remove the restricted funds for capital replacement due to sufficient unrestricted fund balance for the same purpose.
- [d] The District implemented GASB 75 during FY2018 which is related to post-employment benefits liabilities. The significant reduction of net position is related to the recording of expense and the associated deferred inflows and outflows of resources.



<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 5,539,060	\$ 6,338,336	\$ 6,068,352	\$ 7,360,990 [b]	\$ 8,795,979	\$ 9,109,838
700,000	700,000	700,000	- [c]	-	-
6,637,523	6,825,811	5,702,703 [a]	7,008,509	6,660,965 [d]	3,268,596
<u>\$ 12,876,583</u>	<u>\$ 13,864,147</u>	<u>\$ 12,471,055</u>	<u>\$ 14,369,499</u>	<u>\$ 15,456,944</u>	<u>\$ 12,378,434</u>



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
CHANGES IN NET POSITION (ACCRUAL BASIS OF - (UNAUDITED)
ACCOUNTING)
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Business-type activities:				
Transit	<u>\$ 2,887,356</u>	<u>\$ 3,770,124</u>	<u>\$ 3,504,613</u>	<u>\$ 3,842,687</u>
Total business-type activities expenses	<u>\$ 2,887,356</u>	<u>\$ 3,770,124</u>	<u>\$ 3,504,613</u>	<u>\$ 3,842,687</u>
Program Revenues				
Business-type activities:				
Charges for services:				
Transit	\$ 12,394	\$ 15,484	\$ 25,965	\$ 30,550
Operating grants and contributions	<u>3,193,156</u>	<u>4,182,238</u>	<u>3,338,955</u>	<u>3,166,482</u>
Total business-type activities program revenues	<u>\$ 3,205,550</u>	<u>\$ 4,197,722</u>	<u>\$ 3,364,920</u>	<u>\$ 3,197,032</u>
Net (Expenses)/Revenues				
Business-type activities	<u>\$ 318,194</u>	<u>\$ 427,598</u>	<u>\$ (139,693)</u>	<u>\$ (645,655)</u>
General Revenues and Other Changes in Net Position				
Business-type activities:				
Net gross receipts taxes	\$ -	\$ 3,553,772 [b]	\$ 3,144,345 [b]	\$ 2,832,727
Investment earnings	7,348	5,400	2,752	8,309
Special items	-	-	70,925	(42,766)
Capital contributions	-	-	-	-
Total business-type activities	<u>\$ 7,348</u>	<u>\$ 3,559,172</u>	<u>\$ 3,218,022</u>	<u>\$ 2,798,270</u>
Change in Net Position				
Business-type activities	<u>\$ 325,542</u>	<u>\$ 3,986,770</u>	<u>\$ 3,078,329</u>	<u>\$ 2,152,615</u>

Source: Current and prior year's financial statements

Notes:

[a] The District implemented a transit Gross Receipt Tax for all 4 counties in its service area

[b] The transit Gross Receipt Tax is net of the contributions to other entities in the service area

[c] The District acquired the transit vehicle and shelters from the Town of Taos on July 1, 2015 to operate the Chile Line transit system.



<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>\$ 4,131,654</u>	<u>\$ 4,338,773</u>	<u>\$ 4,403,831</u>	<u>\$ 5,507,671</u>	<u>\$ 6,314,317</u>	<u>\$ 7,073,267</u>
<u>\$ 4,131,654</u>	<u>\$ 4,338,773</u>	<u>\$ 4,403,831</u>	<u>\$ 5,507,671</u>	<u>\$ 6,314,317</u>	<u>\$ 7,073,267</u>
\$ 17,925	\$ 44,685	\$ 44,821	\$ 102,092	\$ 140,488	\$ 85,779
2,457,128	2,513,224	2,233,820	3,849,256	4,213,187	3,674,611
<u>\$ 2,475,053</u>	<u>\$ 2,557,909</u>	<u>\$ 2,278,641</u>	<u>\$ 3,951,348</u>	<u>\$ 4,353,675</u>	<u>\$ 3,760,390</u>
<u>\$ (1,656,601)</u>	<u>\$ (1,780,864)</u>	<u>\$ (2,125,190)</u>	<u>\$ (1,556,323)</u>	<u>\$ (1,960,642)</u>	<u>\$ (3,312,877)</u>
[b] \$ 2,543,447	[b] \$ 2,553,850	[b] \$ 2,735,438	[b] \$ 3,085,575	[b] \$ 2,860,182	[b] \$ 3,149,401
3,377	6,125	20,408	31,872	25,165	34,652
(1,724)	16,916	27,680	21,444	24,369	16,837
-	-	33,600	591,109	-	-
<u>\$ 2,545,100</u>	<u>\$ 2,576,891</u>	<u>\$ 2,817,126</u>	<u>\$ 3,730,000</u>	<u>\$ 2,909,716</u>	<u>\$ 3,200,890</u>
<u>\$ 888,499</u>	<u>\$ 796,027</u>	<u>\$ 691,936</u>	<u>\$ 2,173,677</u>	<u>\$ 949,074</u>	<u>\$ (111,987)</u>



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
TAXABLE GROSS RECEIPTS BY BUSINESS SECTOR - (UNAUDITED)
LAST TEN FISCAL YEARS**

Year	Services	Construction	Retail & Food Service	Telecom	Manufacturing & Wholesale	Agriculture & Mining	Public Administration	Other	Total
2009	1,847,851	1,028,616	1,968,094	148,512	226,509	110,715	217,997	950,848	\$ 6,499,142
2010	1,936,638	998,916	2,223,624	348,743	242,296	70,943	271,444	1,019,453	7,112,057
2011	2,332,413	856,051	2,288,680	338,478	269,195	72,212	269,135	1,053,622	7,479,786
2012	2,033,781	797,593	2,263,890	352,666	257,637	73,065	270,014	1,035,281	7,083,927
2013	1,749,720	814,143	2,301,812	355,648	250,317	48,820	285,930	1,064,881	6,871,271
2014	1,243,320	924,729	2,562,603	414,087	276,352	58,046	330,728	1,206,081	7,015,946
2015	1,711,152	763,912	2,575,614	354,998	265,034	66,872	298,722	1,211,056	7,247,360
2016	2,016,238	893,290	2,547,117	370,037	250,740	65,105	327,287	1,203,841	7,673,655
2017	2,361,916	626,765	1,966,273	501,925	197,842	70,338	185,483	1,657,798	7,568,340
2017	2,522,074	718,521	2,262,789	534,737	210,775	72,187	191,855	1,550,163	8,063,102

Sources: New Mexico Taxation and Revenue Department NM_RP-80 Gross receipts by NAICS Code Quarterly Report





**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
TEN LARGEST GROSS RECEIPT TAX GENERATING COMMUNITIES - (UNAUDITED)
LAST FOUR FISCAL YEARS**

COMMUNITY	COUNTY	2018			2017		
		TAXABLE GROSS RECEIPTS	RANK	% OF TOTAL ASSESSED VALUATION	TAXABLE GROSS RECEIPTS	RANK	% OF TOTAL ASSESSED VALUATION
City of Santa Fe	Santa Fe	\$ 3,452,671	1	42.82%	\$ 2,894,317	1	38.24%
Los Alamos (City & County)	Los Alamos	1,113,050	2	13.80%	960,435	2	12.69%
Santa Fe County (remainder)	Santa Fe	682,950	3	8.47%	500,141	3	6.61%
Town of Taos	Taos	315,211	4	3.91%	292,216	4	3.86%
Taos County (remainder)	Taos	186,208	7	2.31%	192,270	7	2.54%
Española (Rio Arriba)	Rio Arriba	206,158	6	2.56%	191,198	6	2.53%
Rio Arriba County (remainder)	Rio Arriba	201,152	5	2.49%	190,954	5	2.52%
Town of Edgewood	Santa Fe	98,180	8	1.22%	96,243	8	1.27%
Taos Ski Valley TIDD	Taos	73,150	9	0.91%	67,783	9	0.90%
Española (Santa Fe)	Santa Fe	28,959		0.36%	28,759	10	0.38%
Total of ten largest GRT generating communities		6,357,689		78.65%	5,414,318		71.54%
Total GRT generated in the remaining communities		1,705,413		21.15%	2,154,022		28.46%
Total GRT generated		\$ 8,063,102		100.00%	\$ 7,568,340		100.00%

COMMUNITY	COUNTY	2016			2015		
		TAXABLE GROSS RECEIPTS	RANK	% OF TOTAL ASSESSED VALUATION	TAXABLE GROSS RECEIPTS	RANK	% OF TOTAL ASSESSED VALUATION
City of Santa Fe	Santa Fe	\$ 2,785,695	1	36.30%	\$ 2,894,555	1	39.94%
Los Alamos (City & County)	Los Alamos	1,012,980	2	13.20%	994,739	2	13.73%
Santa Fe County (remainder)	Santa Fe	556,106	3	7.25%	596,266	3	8.23%
Town of Taos	Taos	325,137	4	4.24%	329,522	4	4.55%
Española (Rio Arriba)	Rio Arriba	273,213	7	3.56%	193,413	7	2.67%
Rio Arriba County (remainder)	Rio Arriba	251,623	5	3.28%	263,720	5	3.64%
Taos County (remainder)	Taos	196,265	6	2.56%	255,017	6	3.52%
Town of Edgewood	Santa Fe	98,132	8	1.28%	108,110	8	1.49%
Taos Ski Valley TIDD	Taos	78,859	9	1.03%	80,151	9	1.11%
Town of Red River	Taos	52,059	10	0.68%	43,210	10	0.60%
Total of ten largest GRT generating communities		5,630,069		73.37%	5,758,703		79.46%
Total GRT generated in the remaining communities		2,043,584		26.63%	1,488,657		20.54%
Total GRT generated		\$ 7,673,654		100.00%	\$ 7,247,360		100.00%

Source: Taxable Gross Receipts (from State of New Mexico Taxation and Revenue Department - Quarterly report NM_RP-80 Gross Receipts by NAICS Code)





**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
GROSS RECEIPTS TAX REVENUES (GRT) AND RATES - (UNAUDITED)
LAST NINE FISCAL YEARS**

	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>
Regional Transit GRT Revenues			
Los Alamos County	\$1,909,877	\$2,284,466	\$1,838,146
Less: Regional services provided by Atomic City Transit	738,997	1,459,741	1,313,896
Los Alamos County GRT	<u>1,170,880</u>	<u>824,725</u>	<u>524,250</u>
Rio Arriba County GRT	<u>568,209</u>	<u>578,994</u>	<u>593,160</u>
Santa Fe County	3,888,579	3,845,798	3,959,371
Less: Regional services provided by Santa Fe Trails	875,000	952,776	957,630
Less: Regional services provided by RailRunner	1,944,288	1,922,924	1,979,674
Santa Fe County GRT	<u>1,069,291</u>	<u>970,098</u>	<u>1,022,067</u>
Taos County GRT	<u>745,392</u>	<u>770,528</u>	<u>693,250</u>
Total Net GRT Revenues	<u><u>\$3,553,772</u></u>	<u><u>\$3,144,345</u></u>	<u><u>\$2,832,727</u></u>
GRT Rates by Imposing Authority			
State imposed rate	5.0000%	5.1250% [b]	5.1250%
Locally imposed by county:			
Los Alamos County	2.0625%	2.0625%	2.0625%
Rio Arriba County	1.0625%	1.1875% [c]	1.2500% [d]
Santa Fe County	1.3750%	1.3750%	1.3750%
Taos County	1.8750%	1.8750%	1.8750%
North-Central Regional Transit District (NCRTD):			
Regional Transit	0.1250% [a]	0.1250%	0.1250%

Sources: NCRTD financial system and NM state gross receipt tax rate schedules

Notes:

- [a] Santa Fe County rate changed July 1, 2015 to 1.7500%
- [b] State rate changed July 1, 2010
- [c] Rio Arriba County rate changed July 1, 2010 to 1.0625% and changed January 1, 2011 to 1.1875%
- [d] Rio Arriba County rate changed July 1, 2011 to 1.2500%
- [e] Taos County rate changed July 1, 2011 to 1.3750% and changed January 1, 2012 to 1.1875%
- [f] Santa Fe County rate changed July 1, 2013 to 1.62500%
- [g] Santa Fe County rate changed July 1, 2015 to 1.7500%



FY2013	FY2014	FY2015	FY2016	FY2017	2018
\$1,509,469	\$1,380,501	\$1,367,132	\$1,581,244	\$1,502,565	\$1,728,890
1,332,180	1,344,249	1,361,838	1,380,700	1,419,000	1,444,500
177,289	36,252	5,294	200,544	83,565	284,390
567,199	548,414	595,908	594,165	516,331	507,710
4,027,621	4,204,355	4,392,219	4,481,778	4,591,719	4,916,102
981,831	1,015,670	953,974	966,490	993,300	1,011,150
2,013,813	2,102,176	2,196,110	2,240,889	2,295,859	2,458,051
1,031,977	1,086,509	1,242,135	1,274,399	1,302,560	1,446,901
766,982	882,675	892,101	1,016,466	957,725	910,400
\$2,543,447	\$2,553,850	\$2,735,438	\$3,085,575	\$2,860,181	\$3,149,401

5.1250% 5.1250% 5.1250% 5.1250% 5.1250% 5.1250%

[d] 2.0625% 2.0625% 2.0625% 2.0625% 2.0625% 2.0625%

1.2500% 1.2500% 1.2500% 1.2500% 1.2500% 1.2500%

1.3750% 1.6250% [f] 1.6250% 1.7500% [g] 1.7500% 1.7500%

1.8750% [e] 1.8750% 1.8750% 1.8750% 1.8750% 1.8750%

0.1250% 0.1250% 0.1250% 0.1250% 0.1250% 0.1250%



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS - (UNAUDITED)
 LAST TEN FISCAL YEARS**

Year	Population	Personal	Per Capita Personal Income	Full and Part Time Employment	Unemployment Rate
2009	232,094	\$ 9,059,093	\$ 39,032	148,877	4.2%
2010	233,698	9,108,380	38,975	143,305	7.4%
2011	235,685	9,185,823	38,975	140,457	7.4%
2012	236,839	9,567,585	40,397	139,587	7.0%
2013	237,570	9,906,194	41,698	138,582	6.7%
2014	238,021	9,897,865	41,584	139,082	6.6%
2015	238,422	10,573,539	44,348	139,316	6.3%
2016	238,843	10,442,455	43,721	146,407	6.7%
2017	239,903	11,311,337	47,150	146,763	6.2%
2018	239,442	12,062,673	50,378	147,773	5.7%

Sources: US Census Bureau; US Bureau of Economic Analysis; and New Mexico Department of Workforce Solutions





**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION - (UNAUDITED)
 LAST TEN FISCAL YEARS**

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities										
Administration										
Executive Director's Office	2	2	2	2	2	2	2	3	3	3
Finance	2	2	3	3	3	3	3	3	3	3
Public Information Office	1	1	1	1	1	1	2	2	2	2
Special Projects	-	-	1	1	1	-	-	-	-	-
Human Resources	-	-	-	-	-	1	1	1	1	1
Operations										
Operations Administration	3	3	3	3	2	2	2	2	2	2
Transportation Planning	2	2	1	1	1	1	1	2	2	2
Route Supervision	3	3	2	2	2	2	2	3	4	4
Dispatchers	2	2	2	2	2	2	2	3	3	3
Fleet & Facilities	1	1	1	1	3	3	3	4	6	5
Drivers	30	30	31	34	33	33	33	43	45	45
Totals	46	46	47	50	50	49	51	66	71	70

Source: Fiscal Year Budgets





**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
RIDERSHIP- NCRTD OPERATED ROUTES (UNAUDITED)
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
NCRTD Operated Routes				
100- Riverside Drive	5,880	11,473	24,341	40,507
110- Westside	3,907	7,376	9,828	13,062
150- Chimayo	324	3,040	5,920	5,873
160- Santa Clara	1,671	2,117	5,501	7,022
170- Jicarilla	-	-	-	-
180- El Rito	1,932	3,695	3,972	4,149
190- Chama	-	246	1,101	1,887
200- Santa Fe	9,911	13,121	18,853	24,170
220- Tesuque to Santa Fe	4,232	7,228	8,861	7,176
230- San Ildefonso Pueblo	-	514	1,883	3,399
255- Santa Fe Mountain Trail	-	-	-	-
260- La Cienega	-	-	-	-
270- Turquoise Trail	-	-	4,508	6,852
280- El Dorado	-	-	7,665	8,243
290- Edgewood	-	-	-	4,946
300- Taos	6,603	7,097	9,837	12,169
305- Taos Express	-	-	-	-
310- Red River	-	828	3,275	4,890
320- Questa	11,208	11,949	13,482	12,201
330- Peñasco	6,985	5,838	6,034	8,697
340- Chile Line Red	-	-	-	-
341- Taos Ski Valley	-	-	-	-
350- UNM Klauer	-	1,326	3,446	3,197
360- Tres Piedras	-	-	-	-
400- Los Alamos	563	745	1,258	1,317
Demand Response	11,838	6,070	7,762	7,762
Pojoaque/Nambe Demand Response	200	2,276	3,913	3,167
Pojoaque Dial-A-Ride	-	-	4,724	3,088
Chile Line ADA- Demand Response	-	-	-	-
ADA Flex Routes	-	-	-	-
Special Events	-	-	-	-
Dead Head	-	-	-	-
Las Trampas	-	866	2,146	2,052
Alcalde-Velarde	1,003	624	1,453	
Greater El Dorado Express	12,972	8,835	-	-
Operated Routes	<u><u>79,229</u></u>	<u><u>95,264</u></u>	<u><u>149,763</u></u>	<u><u>185,826</u></u>

Source: Ridership Reports



2013	2014	2015	2016	2017	2018
41,470	48,943	45,007	48,279	55,197	55,692
13,359	15,393	12,864	12,664	14,316	18,433
6,645	7,818	8,633	8,261	9,673	10,293
7,225	8,027	5,680	7,242	6,317	5,299
-	-	-	-	-	2,528
4,876	4,980	3,229	1,777	1,290	1,510
3,292	3,834	2,902	4,376	5,190	5,456
25,286	29,643	23,972	21,313	20,381	18,996
7,524	10,448	9,322	8,950	7,742	7,752
3,347	2,951	1,997	4,060	4,861	5,535
-	-	-	4,597	5,917	4,546
-	-	-	124	1,447	1,289
5,899	7,438	9,220	7,116	5,940	4,917
7,045	6,636	5,154	4,760	5,168	5,753
7,568	9,612	8,822	7,003	6,997	5,761
10,500	10,243	9,862	12,983	13,004	13,585
-	-	731	1,442	1,591	1,790
5,219	4,380	3,605	3,274	4,058	3,292
12,913	10,792	9,794	12,035	14,701	16,206
9,189	7,707	6,567	7,368	4,673	5,187
-	-	-	67,049	67,161	64,961
-	-	-	6,200	10,208	10,285
4,504	3,579	1,908	1,691	1,707	1,995
-	-	236	625	872	832
1,461	1,685	1,820	1,318	1,088	1,380
7,849	8,030	7,028	6,855	6,023	7,883
2,035	1,389	1,251	1,093	3,188	3,572
3,515	3,911	2,695	2,825	1,095	917
-	-	-	1,230	1,711	1,532
-	-	-	-	-	184
-	-	105	384	1,509	1,001
-	-	-	1,030	1,263	1,078
2,196	2,311	1,768	-	-	-
-	-	-	-	-	-
192,917	209,750	184,172	267,924	284,285	289,440



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
RIDERSHIP- NCRTD PARTIALLY FUNDED ROUTES (UNAUDITED)
LAST TEN FISCAL YEARS**



NCRTD Partially Funded Routes

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
RailRunner	251,186	399,569	392,239	360,076	309,115	360,269	337,680	301,063	289,432	278,297
Santa Fe Route 2	-	16,726	46,512	48,773	48,382	49,393	50,606	48,474	45,818	30,130
Santa Fe Route 4	-	4,131	11,805	11,116	10,015	11,543	9,626	8,928	7,103	5,648
Santa Fe Route 22	-	4,779	6,580	8,950	10,925	10,318	7,739	6,323	6,854	5,803
Santa Fe Pick Up	-	15,005	66,394	66,180	80,318	76,413	86,790	76,305	85,384	85,516
Los Alamos Route 2 White Rock	-	8,655	36,247	37,352	46,008	106,671	98,779	73,954	49,632	55,354
Los Alamos Enhanced-Route 3, 4, 5, & 6	-	-	54,183	66,820	66,523	51,148	57,204	36,971	25,831	27,986
Los Alamos Route-White Rock Express	-	-	3,883	6,930	6,792	6,230	6,873	7,117	6,520	6,728
Funded Routes	251,186	448,865	617,843	606,197	578,078	671,985	655,297	559,135	516,574	495,462

Source: Ridership Reports

**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
LARGEST EMPLOYERS- (UNAUDITED)
LAST FOUR FISCAL YEARS**

Employer	Type of Business	2018			2017		
		Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
State of New Mexico	Government	27,081	1	18.33%	21,729	1	14.81%
Los Alamos National Laboratory	Research and Development	11,738	2	7.94%	11,031	2	7.52%
St. Vincent Regional Medical Center	Medical Services	2,160	3	1.46%	2,132	3	1.45%
Santa Fe Public Schools	Education	1,913	4	1.29%	1,780	4	1.21%
City of Santa Fe	Government	1,515	5	1.03%	1,449	5	0.99%
Santa Fe Community College	Education	987	6	0.67%	905	6	0.62%
Santa Fe County	Government	926	7	0.63%	883	7	0.60%
Los Alamos County	Government	798	8	0.54%	739	9	0.50%
Taos Ski Valley	Ski Resort	750	9	0.51%	-	-	-
Peters Corporation	Various	730	10	0.49%	746	8	0.51%
Santa Fe Opera	Entertainment	-		0.00%	615	10	0.42%
Other Employers		99,175		67.11%	104,754		71.38%
Total Workforce		147,773		100.00%	146,763		100.00%

Employer	Type of Business	2016			2015		
		Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
State of New Mexico	Government	19,655	1	13.42%	21,832	1	15.67%
Los Alamos National Laboratory	Research and Development	10,500	2	7.17%	10,827	2	7.77%
St. Vincent Regional Medical Center	Medical Services	2,021	3	1.38%	1,750	5	1.26%
Santa Fe Public Schools	Education	1,763	4	1.20%	2,027	4	1.45%
City of Santa Fe	Government	1,500	5	1.02%	1,471	7	1.06%
Santa Fe Community College	Education	909	6	0.62%	2,027	3	1.45%
Santa Fe County	Government	846	7	0.58%	1,078	8	0.77%
Peters Corporation	Various	730	8	0.50%	-	-	0.00%
Los Alamos Public Schools	Government	684	9	0.47%	673	10	0.48%
Santa Fe Opera	Entertainment	630	10	0.43%	-	-	0.00%
U.S. Federal Government	Government	-	-	0.00%	1,750	6	1.26%
US Bureau of Land Management	Government	-	-	0.00%	726	9	0.52%
Other Employers		107,169		73.20%	97,631		70.08%
Total Workforce		146,407		100.00%	139,316		100.00%

Sources: Individual Employers, Santa Chamber of Commerce, New Mexico Department of Labor, New Mexico Career Development Association (MMCDA), City of Santa Fe and Los Alamos County CAFRs

[a] Prior to FY 2018 information on Taos Ski Valley was not available



NORTH CENTRAL REGIONAL TRANSIT DISTRICT
OPERATING INDICATORS - (UNAUDITED)
LAST FIVE FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cost per mile					
Operating cost per vehicle mile- Monthly average	\$ 2.86	\$ 2.76	\$ 2.82	\$ 2.87	\$ 2.63
Paratransit operating cost per vehicle mile- Monthly a	\$ -	\$ -	\$ 2.76 [a]	\$ 2.60	\$ 2.26
Region 6 operating cost per vehicle mile [a]- Monthly	\$ 2.17	\$ 2.21	\$ 2.21	\$ 2.23	\$ 2.11
Operating cost per trip- Monthly average	\$ 12.63	\$ 15.28	\$ 14.44	\$ 13.73	\$ 12.84
Paratransit operating cost per trip- Monthly average	\$ -	\$ -	\$ 23.04	\$ 24.29	\$ 20.04
Region 6 Monthly operating cost per trip [a]- Monthly ,	\$ 15.79	\$ 14.70	\$ 14.70	\$ 13.68	\$ 16.54
Fleet					
Spare vehicles	8	11	17	21	18
Number of vehicles needed to run	26	26	34	35	37
Spare vehicle ratio	30.77%	40.51%	49.14%	58.71%	48.65%
Average fleet age in miles	98,718	126,883	105,196	85,718	77,302
Percentage of on time inspections	95	95	92	97	99
Operations					
Commendations	-	-	-	12 [b]	8
Complaints	72	50	29	30	35
Customer Incidents	118	82	139	79	161
Paratransit					
Cancellations	-	-	-	-	168 [c]
Late cancellations	-	-	-	-	66 [c]
No shows	-	-	-	-	26 [c]
On-time performance- Percentage	-	-	68.74%	54.13%	50.21%
Early performance- Percentage	-	-	30.02%	42.33%	45.67%
Late performance- Percentage	-	-	1.24%	3.54%	4.11%
Average trip per client- Minutes	-	-	14.79	16.90	16.54
Average trip per client- Miles	-	-	5	6.4	5.9
Commendations	-	-	-	1	1
Complaints	-	-	7	2	2
Customer Incidents	-	-	21	18	4

Source: Ridership Reports

Notes:

[a] The District started tracking paratransit information separately in fy 2016; prior to 2016 paratransit ridership was included with on-demand services.

[b] Prior to 2017 the District was not keeping track on commendations received.

[c] Prior to 2018 the District was not keeping track on cancellations/late cancellations or no shows for paratransit



NORTH CENTRAL REGIONAL TRANSIT DISTRICT
CAPITAL ASSETS - (UNAUDITED)
LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Transit										
Lease Space	1	1	1	1	-	-	-	-	-	-
Buildings	-	-	-	-	1	1	1	1	1	1
Buses	14	19	19	21	33	37	38	55	70	77
Other Vehicles	3	3	4	8	8	8	11	11	11	13
Shelters	-	-	-	33	33	34	34	58	60	62
Total Assets	18	23	24	63	75	80	84	125	142	153
Increase (Decrease) Assets	3	5	1	39	12	5	4	41	17	11

Sources: District Departments and Capital Asset Records



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
FARE SCHEDULE - (UNAUDITED)
FISCAL YEAR ENDING 2018**

Fare Schedule FY 2018			
ROUTE NAME	ROUTE NUMBER	SERVICE TYPE	Flex Fare* (Routes are fare-free unless noted as "PREMIUM")
Riverside	100	Fixed	ADA flex: fare-free; non-ADA flex: \$10/one-way
Westside-Cross	110	Fixed	Fare-free
Chimayo	150	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Santa Clara	160	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Jicarilla	170	Fixed	Fare-free
El Rito	180	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Chama	190	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Santa Fe	200	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Pojoaque/Nambe Dial-a-Ride Subscription Service	210	Flex	ADA flex: fare-free; non-ADA flex: \$1/one-way
Tesuque	220	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
San Ildefonso	230	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Mountain Trail	255	Flex	PREMIUM***Winter: \$5/one-way; non-winter: \$5 roundtrip. Year-round: ADA flex: fare-free; non-ADA flex: \$10/one-
La Cienega	260	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Turquoise Trail	270	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Eldorado	280	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Edgewood	290	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Taos	300	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Taos Express	305	Flex	PREMIUM***\$5 one-way full trip, \$2 one-way partial trip (between Taos/Espanola or Santa Fe/Espanola). ADA flex: fare free; non-ADA flex: \$10/one-way
Red River	310	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Questa	320	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Peñasco	330	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Chile Line Red	340	Fixed	Fare-free
UNM Taos	350	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
TSV Green	341	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Tres Piedras	360	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way
Chili Ride – Paratransit	370	Flex	ADA flex: fare-free; non-ADA flex: \$1/one-way
Los Alamos	400	Flex	ADA flex: fare-free; non-ADA flex: \$10/one-way

Sources: Grants & Planning Department

Note: *Flex requests will be served in areas where infrastructure allows



FUNDING SOURCES

The following section provides a description of each of the major funding resources used by the District and their available uses.

Fare Revenue

The District collects fares from passengers to ride the bus. The current passenger fare schedule is in the previous page.

Gross Receipts Tax (GRT)

Gross Receipts Tax revenue comes from a dedicated 1/8th cent tax, levied in all four counties the District serves. The initiative passed and its applied and collected in the following four local counties: Los Alamos, Rio Arriba, Santa Fe and Taos. The Gross Receipts Tax was supposed to sunset in 2023; On November 8, 2018 during the midterm election, the tax payers in the four-county area voted in favor to renew the tax district-wide in perpetuity.

Advertising

The District currently contracts out all of the sales of advertising space on NCRTD's fleet and facilities, the organization also pursues in-kind partnerships for advertising with applicable partners

FTA Section 5304

Purpose:

This provides funding and procedural requirements for multimodal transportation planning in metropolitan areas and states that are cooperative, continuous, and comprehensive, resulting in long-range plans and short-range programs of transportation investment priorities. The planning programs are jointly administered by FTA and the Federal Highway Administration (FHWA), which provides additional funding.

Statutory References

- 49 U.S.C. Section 5303– Metropolitan transportation planning
- 49 U.S.C. Section 5304 – Statewide and Nonmetropolitan transportation planning
- 49 U.S.C. Section 5305 – Planning Programs

Eligible Recipients

- States, with allocation of funding to Metropolitan Planning Organizations (MPO).
- Transit agencies may apply, as a sub-recipient, to the state for the Statewide and Nonmetropolitan transportation planning program.



FUNDING SOURCES

FTA Section 5309

Purpose:

This provides grants for new and expanded rail, bus rapid transit, and ferry systems that reflect local priorities to improve transportation options in key corridors. This program defines a new category of eligible projects, known as core capacity projects, which expand capacity by at least 10% in existing fixed-guideway transit corridors that are already at or above capacity today, or are expected to be at or above capacity within five years. The program also includes provisions for streamlining aspects of the New Starts process to increase efficiency and reduce the time required to meet critical milestones.

Statutory References:

- 49 U.S.C. Section 5309

Eligible Recipients

- State and local government agencies, including transit agencies.

Eligible Activities

- New fixed-guideways or extensions to fixed guideways (projects that operate on a separate right of way exclusively for public transportation, or that include a rail or a catenary system)
- Bus rapid transit projects operating in mixed traffic that represent a substantial investment in the corridor.
- Projects that improve capacity on an existing fixed-guideway system.

FTA Section 5310

Purpose

This program is intended to enhance mobility for seniors and persons with disabilities by providing funds for programs to serve the special needs of transit-dependent populations beyond traditional public transportation services and Americans with Disabilities Act (ADA) complementary paratransit services.

Statutory References

- 49 U.S.C. Section 5310

Eligible Recipients

- States (for all areas under 200,000 in population) and designated recipients.
- Subrecipients: states or local government authorities, private non-profit organizations, or operators of public transportation that receive a grant indirectly through a recipient.



FTA Section 5310 (continued)

Eligible Activities

- At least 55% of program funds must be used on capital projects that are:
 - Public transportation projects planned, designed, and carried out to meet the special need of seniors and individuals with disabilities when public transportation is insufficient, inappropriate, or unavailable.
- The remaining 45% may be used for:
 - Public transportation projects that exceed the requirements of the ADA;
 - Public transportation projects that improve access to fixed-route service and decrease reliance by individuals with disabilities on complementary paratransit;
 - Alternatives to public transportation that assist seniors and individuals with disabilities.

FTA Section 5311

Purpose

This program provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000, where many residents often rely on public transit to reach their destinations.

Statutory References

- 49 U.S.C. Section 5311

Eligible Recipients

- States, Indian tribes
- Subrecipients: State or local government authorities, nonprofit organizations, operators of public transportation or intercity bus service that receive funds indirectly through a recipient

Eligible Activities

- Planning, capital, operating, job access and reverse commute projects, and the acquisition of public transportation services.

FTA Section 5311(c)

Purpose

This program provides capital, planning, and operating assistance to federally recognized Indian tribes to provide public transportation services on and around Indian reservations or tribal land in rural areas. Funding is provided

FUNDING SOURCES

as a set-aside within of the Formula Grants to Rural Areas program and allocated both by statutory formula and through a competitive discretionary program. The revenues are received by the District from the Indian Pueblos and Nation as member contributions.

Statutory References

- 49 U.S.C. Section 5311(c)

Eligible Recipients

- Indian tribes
- Subrecipients: State or local government authorities, nonprofit organizations, operators of public transportation or intercity bus service that receive funds indirectly through a recipient

Eligible Activities

- Planning, capital, operating, job access and reverse commute projects, and the acquisition of public transportation services.





SINGLE AUDIT SECTION

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018


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 - Formula Grants for Other Than Urbanized Areas	20.509 *	M01388 & M01442	2,834,378
5311 Grant - ADA Upgrades to Shelters	20.509 *	D01473/1	213,077
Total 20.509			<u>3,047,455</u>
5304 Grant - Statewide Planning	20.515	M01311	29,298
Total Passed Through U.S. Department of Transportation			<u>3,076,753</u>
Total Expenditures of Federal Awards			<u>\$ 3,149,703</u>

* = Denotes major program

SELECTED DISCLOSURES:

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the North Central Regional Transit District ("The NCRTD") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirement for Federal Awards (Uniform Guidance). Because the Schedule represent only a selected portion of the North Central Regional Transit District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the NCRTD.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A 87, Cost Principles for State, Local, and Indian Tribal Governments.

3 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2018

4 - Subrecipients

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

5 - Indirect Cost Rate

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

Independent Auditor's Report

**Independent Auditor's Report over Internal Control Over Financial Reporting and On
Compliance and other Matters Based on the Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards***

Mr. Wayne Johnson
New Mexico State Auditor
and
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, 2018, and the related notes to the financial statements, which collectively comprise the NCRTD's basic financial statements, and have issued our report thereon dated December 4, 2018.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-005 that we consider to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCRTD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-004.

District's Response to Findings

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

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.



Albuquerque, New Mexico
December 4, 2018

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

Mr. Wayne Johnson
New Mexico State Auditor
and
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, 2018. 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 federal statutes, regulations, 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 the NCRTD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the NCRTD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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, 2018.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

The NCRTD's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The NCRTD's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Albuquerque, New Mexico
December 4, 2018

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Summary of Prior Year Audit Findings
Year Ended June 30, 2018

PRIOR YEAR AUDIT FINDINGS

No prior year audit findings were reported.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None Reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal Control

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? 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 2 CFR 200.516(a)? Yes No

CFDA Numbers

Funding Source
20.509

Name of Federal Programs
Capital, Administrative
and Operating Expenses

Funding Source
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 No

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENTS

2018-001 Travel & Per Diem – (Other non-compliance)

Condition: During our review of travel and per diem, we noted 1 out of 26 transactions tested, the District was unable to provide a supporting receipt for a total amount of \$24.66.

Criteria: Per NMAC 2.42.2.9 (B)(3) Reimbursement of Actual Expenses in Lieu of Per Diem Rates – Receipts Required, an “employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.” The Department’s travel and per diem policy required a reimbursement request and receipts for all travel.

Effect: The District is in violation of New Mexico Statutes and their own travel and per diem policy.

Cause: The District has some personnel turnover in its Finance Department during the fiscal year.

Auditor’s Recommendation: We recommend that the District establish procedures to ensure personnel are aware of the current per diem available per NMAC.

Management’s Response: During the audit engagement the auditors selected four employees to test travel and per diem expenses and approximately 26 transactions related to the four employees were reviewed by the auditors. During their testing there was one instance where a receipt or an affidavit for a missing receipt in the amount of \$24.66 was not found. This was due to employee turn-over on both Departments involved in the process (finance and Planning) of this particular reimbursement. The person in charge of reconciling the District purchasing card transactions and collecting affidavits for missing receipts in Finance as well as the planner that incurred the expense are no longer with the District.

Current Status/Plan of Action: In July 2018 the district hired a new Finance Specialist that is reviewing, processing and reconciling purchasing card transactions and travel and per diem reimbursements in a complete, timely, and accurate manner. Emphasis on the importance of the District’s travel and per diem and payroll policies has been discussed with members of the finance Department and all members of the management team. The rest of the employees will be communicated of the importance of this process through a Memorandum that will be sent out to all employees on 12/07/2017.

Person Responsible: Finance Specialist



NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENTS (CONTINUED)

2018-002 Public Employees Retirement Act (PERA) and Retirement Health Care (RHC) – (Other Non-Compliance)

Condition: Based on our review of PERA and RHC remittance forms, we noted that the District is not making timely contributions. We noted 19 out of 26 PERA contributions and 22 out of 26 RHC contributions were not remitted on a timely basis.

Criteria: In accordance with the Public Employees Retirement Act (PERA) Sections 10-11-1 to 10-11-142 NMSA 1978, payments to PERA is due within 10 days from withholding from the pay date. In accordance with the Retiree Health Care Act, Sections 10-7C-1 to 10-7C-19 NMSA 1978, payments to RHC is due within 15 days from the pay date.

Cause: The District was unaware of the State requirement for submittal within 10/15 days of the pay date. In addition, the District has some personnel turnover in its Finance Department during the fiscal year.

Effect: The District is not in compliance with New Mexico State Statutes in regards to RHC contributions and with PERA rules for transmitting and reporting contributions on a timely basis.

Auditors' Recommendation: Implement internal controls to ensure that monthly PERA and RHC contributions are remitted to PERA and RHC by the due dates.

Management's Response: Management agrees with the recommendation and has put in place appropriate internal controls in order for PERA and RHC payments to be processed in a complete, accurate and timely manner.

Current Status/Plan of Action: After July 2018, the Finance Department segregated the responsibilities for PERA and Retiree Health Care Contributions in order to process contributions appropriately; After July 2018, (1) the Finance Specialist enters all contributions in the appropriate systems within 2 days of processing payroll and a reports packet with all contributions is created by the Finance Specialist; (2) the reports are forwarded to the Finance Director immediately for his review, approval and verification; (3) the reports are kept in his office for payment processing; (4) once all transactions have been loaded, confirmed and accepted by the system (PERA) an invoice is created by the same system and a notification is received by the Finance Director; (5) once the notification is received the invoice is compared to the packet for accuracy and payment is processed. All payments for FY2019 have been processed timely.

Person Responsible: Finance Specialist and Director of Finance

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENTS (CONTINUED)

2018-003 - Restatement of Capital Assets (Significant Deficiency)

Condition: During our capital assets testing, we noted that following items were improperly included/excluded from prior year’s capital assets listing.

Land	\$	325,000
Construction in progress		(123,605)
Intangibles, net		(123,811)
Building, net		79,668
Furniture, net		(985)
Vehicle, net		(17,896)
Total	\$	<u>138,371</u>

Criteria: The State Audit Act, 12-6-10 NMSA 1978 requires that the District prepare and maintain an accurate listing of capital assets. The District must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB Statement No. 34 and Section 12-2-10 NMSA 1978.

Effect: Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to lack of information that is being maintained. As a result, the financial statements of the District may be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

Cause: There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. In addition, the District has some personnel turnover in its Finance Department during the fiscal year.

Auditors’ Recommendation: The District should develop procedures to ensure that all capital assets are accounted for in a capital asset inventory listing. The District should establish controls over its capital assets in order to safeguard them and establish accountability for their custody and use. (Capital Asset Controls 2.20.1.15, NMAC) Such controls should apply to authorization to acquire fixed assets, receiving purchases, tagging the assets, assigned location, individuals responsible for tracking use and location, and fund and organizational unit fund and organizational unit.

Management’s Response: Management agrees with the recommendation and has put in place appropriate processes and procedures in order to make sure that the District’s “Inventory and Capital Asset Policy and Procedures” are followed and maintained properly.

Current Status/Plan of Action: A Memorandum establishing communication methods, processes and procedures between all departments involved in the procurement, acquisition, receiving, tagging and recording of capital assets is being drafted to be delivered and discussed during a meeting that will be scheduled by the Director of Finance once the Memorandum is completed, reviewed and approved by the Executive Director.

Person Responsible: Finance Specialist, Director of Finance, Fleet Manager, Operations Manager, and Electrical Mechanic.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENTS (CONTINUED)

2018-004 Late Submission of Data Collection Form (Other non-compliance)

Condition: The District did not submit its annual data collection form for the year ended June 30, 2017 to the Federal Audit Clearinghouse in a timely manner. The data collection form, which has a due date of March 31, 2018, was not submitted until April 13, 2018.

Criteria: 2 CFR Section 200.512(b) provides for a form, referred to as the data collection form, to be prepared at the completion of each audit and submitted to the Federal Audit Clearinghouse. The form provides key information about the nonfederal entity, the federal awards it administers, whether the audit was completed in accordance with the Uniform Guidance, and the audit results. 2 CFR Section 200.512(a) states that the reporting package must be submitted the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

Cause: The predecessor auditor failed to initiate the process to submit the data collection form in a timely manner.

Effect: The District was not in compliance with the requirement of 2 CFR Section 200.512. As a result, the District does not qualify as low-risk auditee in accordance with the Uniform Guidance.

Auditors' Recommendation: We recommend that the District pursues activities necessary for the timely submission of the data collection form.

Management's Response: Per the audit contract and RFP for Financial Services, the previous auditors were supposed to initiate the process of submitting the Data Collection Form for the 2017 Federal Single Audit engagement. Unfortunately, it wasn't until the Finance Director asked for an update regarding the certification email that was not received that the previous auditor went ahead and submitted the appropriate forms to the Federal Audit Clearing House. However, Management is aware that the Financial Statements and submission to the appropriate entities is responsibility of the District's Finance Management.

Current Status/Plan of Action: Conversations regarding responsibilities, dates and timeliness for submission to the appropriate entities have occurred between the District's Management and AXIOM CPAs (this year's external auditors). Per the conversations between the Management of the District and the new auditors, AXIOM CPAs will initiate the process and submit by 12/5/2018 the appropriate reports to the Office of the State Auditor and the Single Audit Report and Data Collection Form in the Federal Audit Clearing House by January 2019.

Person Responsible: Director of Finance and Axiom CPAs.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENTS (CONTINUED)

2018-005 Financial Reporting and Internal Controls (Significant Deficiency)

Condition: During our internal control walkthroughs and testing, we noted the following:

- 2 out of 25 samples tested, only one out of the two required counters signed the revenue collection sheet, for a total amount of \$2,400.
- 2 out of 25 samples tested, the District was unable to provide the revenue collection sheet for a total amount of \$425.
- 4 out of 21 employees tested were missing a background check.
- several months lapsed after the receipt of cash/payment of cash, before revenue/expenses was recognized and cash was reconciled to the general ledger.

Effect: Because the internal control structure is not documented, management and staff are unsure about what procedures and processes to follow to properly safeguard assets. Adequate controls are not in place to safeguard assets and prevent or detect intentional or unintentional misstatements of accounting information.

Cause: Due to a lack of a comprehensive and documented internal control policy in place, employees are not consistently following these new processes and management.

Criteria: The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication, and monitoring elements of internal control.

Auditors' Recommendations: The District should complete its documented comprehensive internal control structure and ensure that it is followed. Management should follow and ensure that all staff follows the District's documented internal control procedures, and the body charged with governance should provide effective oversight of the internal control and financial reporting processes. In addition, it should implement a financial close reporting process to ensure timely posting of transactions and reconciliation of accounts.

Management's Response: Management agrees with the recommendation and has put in place appropriate processes and procedures to ensure that the cash count and revenue recording and reconciliation processes are conducted in a complete, accurate and timely manner. The lapse in revenue recording and reconciliation was due to un-usual turnover of personnel in the Finance Department. During the FY 2018, the finance Department was only full staffed for 4 months.

Current Status/Plan of Action: The Director of Finance in conjunction with the Finance Staff drafted a "Cash Count" Policy that is currently being reviewed by the Executive Director to ensure that everyone involved in the cash count process is aware of the process. Additionally, in July 2018 a new Finance Specialist was hired, and processes were put in place to ensure that revenues and cash are being recorded in a complete, timely and accurate manner. As of 12/4/2018 cash reconciliations have been completed as of 10/31/2018.

Person Responsible: Financial Specialist, Finance Analyst, and Director of Finance.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Exit Conference
Year Ended June 30, 2018**

B. FINDINGS – FEDERAL AWARDS

2018-006 Payroll Compliance– (Other Matters)

Federal Program Information:

Funding Agency:	U.S. Department of Transportation
Title:	Capital, Administrative and Operating Expenses
CFDA Number:	20.509
Award Year:	2017-2018
Grant Number:	MO1512
Questioned Cost:	None

Condition: During our compliance testing on payroll, we noted 3 out of 40 employee's timesheets and overtime sheet were not signed or approved.

Criteria: In accordance with NMSA 1978 Section 12-6-2, an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: Improper controls surrounding timekeeping and leave approvals could lead to over payment for hours not worked or approved.

Cause: Time entry is not being properly tracked and approved.

Auditors' Recommendation: We recommend the District strengthen controls surrounding the approval and tracking of timesheets as well as overtime and leave slip requests.

Management's Response: Management agrees with the recommendation and has put in place appropriate processes and procedures to ensure that time entries (including overtime and leave requests) are processed appropriately.

Current Status/Plan of Action: On July 1, 2018, the District acquired and implemented a new timekeeping software (EWS- Employee Web Services) that interfaces with our payroll/finance management system. The system allows for electronic leave requests and approvals. Each employee is assigned a supervisor that is responsible for approving his/her timesheet, just like time entries and routes assigned to cost centers employees are able to submit leave requests that go through an approval process. Although timesheets are entered and signed electronically, after they have been approved a paper copy is printed for and signed by the employee, supervisor, manager and payroll staff.

Person Responsible: Director of Finance



North Central Regional Transit District
 1327 N. Riverside Dr.
 Española, NM 87532
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NORTH CENTRAL REGIONAL TRANSIT DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2018

<u>Audit Finding</u>	<u>Corrective Action Plan</u>	<u>Person(s) Responsible</u>	<u>Estimated Completion Date</u>
2018-006 Payroll Compliance	See management's response in the schedule of findings and questioned costs	Finance Director	6/30/2019



OTHER SUPPLEMENTARY INFORMATION

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**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2018**

Description	Share Identifier #	Original Appropriation	Appropriation Period	Expenditures as of June 30, 2017	Remaining Balance as of June 30, 2018
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>

See Independent Auditor's Report





NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Cash and Investments
As of June 30, 2018

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
Los Alamos National Bank	Checking	\$ 2,107,629	2,151,480	(250,000)	1,901,480	50%	950,740	3,053,634	2,102,894
Total cash and cash equivalents		2,107,629	2,151,480	(250,000)	1,901,480		950,740	3,053,634	2,102,894

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 (Brokered CDs)									
06740KKMB	Certificate of deposit	234,913	235,000	(235,000)	-	50%	-	-	-
06062FRA5	Certificate of deposit	244,782	245,000	(245,000)	-	50%	-	-	-
0642WTV4	Certificate of deposit	244,422	245,000	(245,000)	-	50%	-	-	-
06279H5V1	Certificate of deposit	244,375	245,000	(245,000)	-	50%	-	-	-
38148PPY7	Certificate of deposit	243,780	245,000	(245,000)	-	50%	-	-	-
20033AXT8	Certificate of deposit	243,606	245,000	(245,000)	-	50%	-	-	-
795450G25	Certificate of deposit	243,395	245,000	(245,000)	-	50%	-	-	-
254673LN4	Certificate of deposit	243,555	245,000	(245,000)	-	50%	-	-	-
06740KKN6	Certificate of deposit	243,025	245,000	(245,000)	-	50%	-	-	-
949763J56	Certificate of deposit	243,123	245,000	(245,000)	-	50%	-	-	-
45083AHF2	Certificate of deposit	243,638	245,000	(245,000)	-	50%	-	-	-
02006L5P4	Certificate of deposit	242,609	245,000	(245,000)	-	50%	-	-	-
1404206N5	Certificate of deposit	242,462	245,000	(245,000)	-	50%	-	-	-
02587D2L1	Certificate of deposit	242,469	245,000	(245,000)	-	50%	-	-	-
14042RKM2	Certificate of deposit	242,682	245,000	(245,000)	-	50%	-	-	-
59013JK73	Certificate of deposit	242,663	245,000	(245,000)	-	50%	-	-	-
87165FSP0	Certificate of deposit	243,045	245,000	(245,000)	-	50%	-	-	-
61747MQ53	Certificate of deposit	244,388	245,000	(245,000)	-	50%	-	-	-
Cash account		3,542	3,542	(3,542)	-	50%	-	-	-
Flexinsured account		550,280	550,280	(250,000)	300,280	50%	150,140	-	(150,140)
Total Los Alamos National Bank		4,926,754	4,953,822	(4,653,542)	300,280		150,140	-	(150,140)
Sandia Area Federal Credit Union									
420356-30	Certificate of deposit	248,907	248,907	(248,907)	-	50%	-	-	-
Total certificates of deposit		5,175,661	5,202,729	(4,902,449)	300,280		150,140	-	(150,140)
State of NM Local Government Investment Pool (LGIP) - 7944-20806									
Investment Pool		10,437	10,437	(10,437)	-		-	-	-
Total investments		5,186,098	5,213,166	(4,912,886)	300,280		150,140	-	(150,140)

See Independent Auditor's Report.



**NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
AS OF JUNE 30, 2018**

Bank	CUSIP	Shares or Face Value	Coupon Rate	Market Value	Maturity Rate
Los Alamos National Bank FHLB AFS	3137B7YY9	<u>\$ 3,000,000</u> <u>\$ 3,000,000</u>	3.490%	<u>\$ 3,053,634</u> <u>\$ 3,053,634</u>	1/25/2024

See Independent Auditor's Report



NORTH CENTRAL REGIONAL TRANSIT DISTRICT

Exit Conference

Year Ended June 30, 2018

An exit conference was held in a closed session on November 30, 2018, at NCRTD's offices in Española, New Mexico. In attendance were the following:

Representing the NCRTD:

Anthony Mortillaro, Executive Director
Hector Ordonez, Financial Director
Ed Moreno, Santa Fe County
Leandro Cordova, Taos County
Antonio Maggiore, Los Alamos County

Representing Axiom Certified Public Accountants and Business Advisors LLC:

Jaime Rumbaoa, CPA, Partner

Financial Statements

The Comprehensive Annual Financial Report of the NCRTD as of June 30, 2018, was substantially prepared by the District's Finance Department. The financial statements were prepared with considerable assistance from AXIOM, CPA's; However, the financial statements are the responsibility of management.



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North Central Regional Transit District
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