NORTH CENTRAL REGIONAL TRANSIT DISTRICT
INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2008
With Comparative Totals For 2007

HINKLE & LANDERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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NORTH CENTRAL REGIONAL TRANSIT DISTRICT
OFFICIAL ROSTER

As of June 30, 2008

Board of Directors

Board of Member	Title	Area of Representation
Mr. Alfred Herrera	Councilor	City of Espanola
Mr. Miguel Chavez	Councilor	City of Santa Fe
Mr. Jim West, Chairman	Councilor	County of Los Alamos
Mr. Elias Coriz	Commissioner	County of Rio Arriba
Mr. Michael Anaya	Commissioner	County of Santa Fe
Mr. Charlie Gonzales	Commissioner	County of Taos
Mr. Johnny Abeyta	Lt. Governor	Pueblo of Ohkay Owingeh
Mr. James Rivera		Pueblo of Pojoaque
Mr. Stanley Tafoya	Lt. Governor	Pueblo of Santa Clara
Mr. Raymond Martinez		Pueblos of San Ildefonso
Mr. Robert Mora	Governor	Pueblos of Tesuque

Administration

Name	Title
Ms. Josette Lucero	Executive Director
Ms. Marjorie Kaplan	Finance Manager
Ms. Linda Trujillo	Regional Coordinator Supervisor
Mr. Jack Valencia	Transit Project Manager

Hinkle & Landers, P.C.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of North Central Regional Transit District (NCRTD) as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the schedule of revenues and expenses and changes in net assets —budget (GAAP budget basis) and actual presented as supplementary information for the year ended June 30, 2008, as listed in the table of contents. These financial statements and budget comparison schedule are the responsibility of NCRTD's management. Our responsibility is to express opinions on these financial statements and budget comparison schedule based on our audit. The prior year summarized comparative information has been derived from NCRTD's financial statements and was provided by other auditors whose report dated October 28, 2008, expressed an unqualified opinions on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of NCRTD as of June 30, 2008, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedule referred to above presents fairly, in all material respects, the budget comparison of NCRTD for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of NCRTD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
December 11, 2009

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

ASSETS		2008	2007
Current Assets			
Cash and cash equivalents	$	**1,188,586**	588,489
Receivables		**832,305**	120,838
Prepaid assets		**-**	-
Total Current Assets		**2,020,891**	709,327
Non-Current Assets			
Other assets		**600**	-
Capital Assets, net of accumulated depreciation		**703,459**	-
Total Assets	$	**2,724,950**	709,327

LIABILITIES AND NET ASSETS

LIABILITIES			
Current Liabilities			
Accounts payable	$	**93,543**	89,899
Payroll related liabilities		**188,762**	19,813
Due to local governments		**-**	79,181
Compensated absences - current portion		**40,727**	-
Total Current Liabilities		**323,032**	188,893
Non-Current Liabilities			
Compensated absences - non-current portion		**10,665**	-
Total Liabilities		**333,697**	188,893
NET ASSETS			
Unrestricted			
Invested in capital assets		**703,459**	-
Restricted		**490,157**	196,657
Unrestricted, undesignated		**1,197,637**	323,777
Total Net Assets		**2,391,253**	520,434
Total Liabilities and Net Assets	$	**2,724,950**	709,327

SEE INDEPENDENT AUDITORS' REPORT
The accompanying notes are an integral part of these financial statements

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	2008	2007
Operating Revenues		
Revenue		
Charges for services (program revenues)	$ **17,772**	-
Operating Expenses		
Personal Services		
Salaries and wages	**768,879**	164,151
Payroll taxes	**25,302**	12,305
Employee benefits, insurance, and payroll taxes	**186,033**	53,968
Total Personal Services	**980,214**	230,424
Other Operating Expenses		
Advertising	**59,978**	5,307
Dues, licenses and fees	**3,246**	156
Equipment expense	**18,638**	34,355
Insurance	**28,759**	3,662
Travel, meetings, travel, lodging, and per diem	**18,573**	19,819
Occupancy and utilities	**14,492**	-
Office supplies, postage and photocopies	**16,000**	8,969
Professional services	**138,423**	147,686
Repairs and maintenance	**88,730**	2,836
Telephone and Internet	**15,230**	7,878
Training	**3,220**	-
Transit expenses	**207,281**	-
Uniforms	**2,918**	-
Vehicle repairs and maintenance	**142,709**	-
Depreciation	**78,694**	-
Total other operating expenses	**836,891**	230,668
Total Operating Expenses	**1,817,105**	461,092
Operating Income (Loss)	**(1,799,333)**	(461,092)
Nonoperating Revenues (Expenses)		
Federal grants	**1,350,507**	356,040
State and local grants	**397,491**	515,843
Member local match	**1,454,397**	106,858
Interest income	**29,959**	4,066
Total Nonoperating Revenues (Expenses) Income (Loss) Before Contributions	**3,232,354**	982,807
Capital Contributions	**437,798**	-
Change in net assets	**1,870,819**	521,715
Net assets, beginning of year	**520,434**	(1,281)
Net assets, end of year	$ **2,391,253**	520,434

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

		2008	2007
Cash flows from operating activities			
Cash received from customers (charges for services)	$	**17,772**	-
Cash paid to employees (personal services)		**(759,874)**	(73,403)
Cash paid to suppliers (other operating expenses)		**(755,152)**	(217,624)
		(1,497,254)	(291,027)
Cash flows from noncapital financing activities			
Cash received from grants and agreements		**2,320,310**	859,272
Cash flows from capital and related financing activities			
Capital contributed by local governments		**-**	-
Cash paid for acquisition of capital assets		**(252,918)**	-
		(252,918)	-
Cash flows from investing activities			
Cash received from interest on cash and cash equivalents		**29,959**	4,066
Net increase (decrease) in cash and cash equivalents		**600,097**	572,311
Cash and cash equivalents, beginning of year		**588,489**	16,178
Cash and cash equivalents at end of year	$	**1,188,586**	588,489

Reconciliation of operating loss to net cash used in operating activities

Operating loss	$	**(1,799,333)**	(461,092)
Adjustments to reconcile increases in net assets to cash provided by operating activities:			
Depreciation expense		**78,694**	-
Increase (Decrease) in other asssets		**(600)**	-
Increase (Decrease) in accounts payables		**3,644**	157,265
Increase (Decrease) in payroll related liabilities		**168,949**	12,800
Increase (Decrease) in compensated absences		**51,392**	-
Net cash provided by operating activities	$	**(1,497,254)**	(291,027)

Supplementary Disclosures

Non-cash federal assistance in the amount of $91,437 was received which went directly to the vendor for the purchase of a vehicle.

SEE INDEPENDENT AUDITORS' REPORT
The accompanying notes are an integral part of these financial statements

NOTE 1—NATURE OF OPERATIONS

NCRTD was established in September 2004, and operations of NCRTD commenced in May 2005. The purpose of 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

NCRTD is a Membership organization that is open to governmental units, which means the State of New Mexico, Counties, Municipalities of New Mexico, Indian Nations, Tribes, and or Pueblos located within the boundaries of Los Alamos, Rio Arriba of Santa Fe Counties in New Mexico may join. Members may be added or deleted pursuant to Article VIII of NCRTD's bylaws and State Statute Section 73-25-17.

The Board is composed of one Director from each participating member of 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.

NCRTD has no component units .

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.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Notes To Financial Statements
For The Year Ended June 30, 2008, With Comparative Totals For 2007

A—Proprietary Fund Basis of Accounting

NCRTD follows proprietary fund accounting. Proprietary funds are accounted for using the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. NCRTD applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. NCRTD has elected not to apply FASB statements and interpretations issued after November 30, 1989.

In addition, when both restricted and unrestricted net assets are available to finance NCRTD's operations, it is NCRTD's policy to first apply restricted net assets to such expenses, followed by unrestricted net assets.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result form providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of NCRTD are user fees generated from transportation services, In fiscal year 2007, NCRTD was still in the development stage and, therefore, has no operating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In 2008, NCRTD has begun generating user fees and these amounts are expected to increase as NCRTD continues to grow and develop. NCRTD first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available

B—Use of Estimates

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

C—Advertising

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

D—Net Assets

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

1. Invested in Capital Assets (net of related debt)—Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. NCRTD did not have any related debt during the year ended June 30, 2008.

2. Restricted net assets—Consist of net assets with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.

3. Unrestricted net assets—Consists of assets less liabilities after the amount invested in capital assets and any restricted net assets have been subtracted.

4. Net Assets Restricted by Enabling Legislation The statement of net assets reports $490,157 of restricted net assets. All the restricted net assets are considered restricted by enabling legislation under the various grant and contract agreements. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

E—Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to those used in 2008.

F—Prior Year Comparative Totals

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NCRTD's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

G—Cash and Cash Equivalents

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

H—Capital Assets

Capital assets will be recorded at cost. NCRTD's policy is to capitalize all assets with a cost of $5,000 or greater, and to depreciate the assets using the straight-line method over the following estimated useful lives of the assets.

Capital assets includes software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. However, all capital outlay purchases may not necessarily be capitalized. There is no related debt relating to capital assets.

The major classifications of property and equipment and the related depreciable lives are as follows:

Classification	Estimated Useful Lives
Computers and Equipment	5 to 7 years
Vehicles	5 to 7 years

I—Donated Capital Assets

Donations of capital assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash mat must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, NCRTD reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. NCRTD reclassifies restricted net assets to unrestricted net assets at that time. During the year ended June 30, 2008, NCRTD received $437,798 in contributed capital assets from some of its member governments.

J—Compensated Absences

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 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 include annual leave which has been accrued but not taken. Sick leave is not required to be paid out upon termination and therefore is not part of the liability calculated at year 2008, and 2007 the liability for compensated absences was $40,727 and $9,136, respectively, and is included in the statement of net assets line captioned accrued liabilities.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. The maximum amount that may be accumulated and carried over into the following year is not to exceed two (2) times the annual maximum accrual. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the "changes in long term debt" note in this report for the accrued compensated absences payable outstanding as of At June 30, 2008

K—Grant Revenues

Proceeds from the Department of Transportation and other grants are considered voluntary nonexchange revenues under GASB Statement 33. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when NCRTD has incurred an allowable expenditure under the terms of the grant agreement. Other grant revenue consists of grants from members of NCRTD, to include monies for which NCRTD must match (through user fees or other grants) at least one dollar for every four dollars provided by the Department of Transportation grant.

L—Budgets

NCRTD's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenses. The budgets is presented on the 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 NCRTD which is adopted by the Board. This Budget includes expected receipts and expenditures of the Operating Fund. 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 NCRTD to monitor each program, are also used for comparisons in the accompanying financial statements. Therefore NCRTD legally approves its budget by total expenditures by fund.

Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The only difference between the GAAP basis and the GAAP budgetary basis financial statements are that the GAAP budgetary basis records capital outlay as an expenditure and the GAAP basis financial statements capitalizes those amounts of $5,000 and greater.

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 NCRTD as of June 30, 2008.

The legal level of budgetary control is as follows: personal expenses and other operating expenses. The level of classification detail at which expenditures may not legally exceed appropriations varies depending on the funding source. The legally permissible methods for amending the initially approved budget vary depending on the funding source. Applications for additional funds must be submitted to the funding source. The presented budgetary information has been properly amended during the year.

New Mexico State law prohibits NCRTD from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2008/2009 budget has been legally adopted.

NOTE 3—CASH AND CASH EQUIVALENTS

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

A—Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. NCRTD's policy is to require collateralization of 50% of the uninsured portion of NCRTD's deposits with financial institutions, in accordance with state statute.

B—Statement of Cash Flows

For purposes of the statement of cash flows, NCRTD considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

NOTE 4—RECEIVABLES

Type		Amount
Member match receivable	$	349,481
NM DOT federal grant receivable		480,443
Vendor refund receivable		2,381
Allowance for doubtful accounts		-
Total	$	832,305

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, 2008.

NOTE 5—ACCRUED LIABILITIES

Type		Amount
Payroll related taxes and deductions	$	145,796
Accrued payroll		42,966
	$	188,762

NOTE 6—PERA PENSION PLAN

A—Plan Description
Substantially all of NCRTD's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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

NCRTD's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were $61,026, $15,535, and $6,613, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 7—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

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

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

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

B—Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

NCRTD's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were $1,465, $6,659 and $2,835, respectively, which equal the required contributions for each year.

The Retiree Health Care Authority is implementing GASB 43 in FY08. As part of the State of New Mexico, all state agencies will need to implement GASB 45 in FY08. The existence of the new GASB 45 standard and its expected impact on the agency is unknown.

NOTE 8—PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment is summarized as follows:

Business Type Activities		**Balance 2007**	**Additions**	**Deletions**	**Balance 2008**
Vehicles	$	-	774,177	-	774,177
Computer and Related Equipment		-	7,976	-	7,976
		-	782,153	-	782,153
Less accumulated depreciation for:					
Vehicles		-	(78,295)	-	(78,295)
Computer and Related Equipment		-	(399)	-	(399)
		-	(78,694)	-	(78,694)
Capital assets, net	$	-	703,459	-	703,459

Depreciation for the year was $78,694 and was -0- for fiscal year ended 2007.

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 are as follows: four years for vans, sedans, and station wagons and seven years for small buses from the date of issuance of Certificate of Title

NOTE 9—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

		Balance 2007	Additions	Deletions	Balance 2008	Due Within One Year
Compensated absences payable	$	9,137	68,251	(25,996)	51,392	40,727

Prior year compensated absences have been liquidated by the operating fund.

NOTE 10—RISK MANAGEMENT
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 11—GRANTS
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—LEASE COMMITMENTS
NCRTD entered into a lease beginning November 17, 2008 for office space. The term of the lease is for a 24 months for $1,900 a month. Rental expenses under the lease in 2008 were $10,948 and were -0- in 2007. The future remaining lease payments under these agreements are as follows:

Year Ended		Lease Payments
2009	$	19,823
2010		24,700
2011		-
2012		-
2013		-
Thereafter		-
Total	$	44,523

NOTE 13—RESTRICTED NET ASSETS

On March 20, 2007, an agreement between NCRTD and Los Alamos County was reached where funding in the amount of $1,600,000 was awarded to NCRTD to fund operations. Of the total, $500,000 was received in fiscal year 2007 and $1,100,000 was received in 2008. As part of the agreement, NCRTD is to maintain a revolving fund for working capital maintained in perpetuity through reimbursement from other revenue sources, including federal grants. At June 30, 2008, the revolving fund balance was $490,157 and at June 30, 2007, the revolving fund balance was $196,657. These amounts are presented as restricted net assets on the statement of net assets.

NOTE 14—RELATED PARTY TRANSACTIONS

The by-laws of 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 NCRTD, Board members have a significant interest in the NCRTD's transactions related to the furnishing of services to their respective governments, community and constituents.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
BUDGET (GAAP BUDGET BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008 WITH COMPARATIVE TOTALS FOR 2007

	Original	Final	Actual	Variance
Operating Revenues				
Revenue				
Charges for services (program revenues)	$ 60,000	60,000	**17,772**	(42,228)
Operating Expenses				
Personal Services	1,431,307	1,376,239	**980,214**	396,025
Other Operating Expenses	621,920	960,178	**836,891**	123,287
Capital Outlay	275,000	276,400	**266,161**	10,239
Total Operating Expenses	2,328,227	2,612,817	**2,083,266**	529,551
Operating Income (Loss)	(2,268,227)	(2,552,817)	**(2,065,494)**	487,323
Nonoperating Revenues (Expenses)				
Federal grants	1,462,589	1,620,967	**1,350,507**	(270,460)
State and local grants	354,000	739,871	**397,491**	(342,380)
Member local match	531,328	908,738	**1,454,397**	545,659
Interest income	-	-	**29,959**	29,959
Total Nonoperating Revenues (Expenses) Income (Loss) Before Contributions	2,347,917	3,269,576	**3,232,354**	(37,222)
Contribution of capital	-	-	**437,798**	437,798
Change in net assets	$ 79,690	716,759	**1,604,658**	450,101
Net assets, beginning of year			**520,434**	
Net assets, end of year			$ **2,125,092**	

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

Change in net assets-budget basis	$ **1,604,658**
Capital outlay that was capitalized on the balance sheet but not on GAAP Budget Basis	**266,161**
Change in net assets-business type activity - full accrual basis	$ **1,870,819**

Note:

Non-cash contribution of capital in the amount of $437,798 is not included as capital outlay on GAAP Budget Basis Statement of Revenues, Expenses, and Changes in Net Assets.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
U.S. Department of Transportaton				
Passed through New Mexico Department of Transportation				
Capital, Administrative and Operating Expenses	20.509	D12279	$	984,859
Transporttion Assistance-JARC	20.516	M00691		237,964
Service Plan - Gannett Fleming	20.515	M00444		24,000
Eldorado Bus Shuttle	20.205	M00595		75,933
Total U.S. Department of Transporation				1,322,756
U. S. Department of Health and Human Services				
Passed through Mid-Region Council of Governments				
Tempoary Assistance to Needy Families (TANF)	93.558	M00691		27,751
Total Expenditures of Federal Awards			$	1,350,507

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

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

Note 2 - Non-Cash Federal Assistance

Non-cash federal assistance in the amount of $91,437 was received which went directly to the vendor for the purchase of a vehicle. This amount is included in CFDA 20.509 shown above.

Note 3 - Subrecipients

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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF CASH AND DEPOSITS AND PLEDGED COLLATERAL BY BANK AND ACCOUNT
AS OF JUNE 30, 2008

Account Name	Account Type		Los Alamos National Bank	Bank of America	Bank Balance	Deposits In Transit	Outstanding Checks		Book Balance
LANB Checking	Checking Account	$	1,199,935	-	1,199,935	-	(29,051)		1,170,884
Espanola Checking	Checking Account		-	17,664	17,664	38	-		17,702
Total amount of deposit in bank			1,199,935	17,664	1,217,599	38	(29,051)		1,188,586
FDIC coverage			(100,000)	(17,664)	(117,664)				
Total uninsured public funds			1,099,935	-	1,099,935				
50% Collateral Requirement			549,968	-	549,968				
(Section 6-10-17 NMSA 1978)									
Description	**Maturity/CUSIP**		**Pledged Market Value**						
Pledged Security At:									
Dallas: FHLB Letter of Credit	6/10/11/3133XLHQ9		1,569,704	-	1,569,704				
Subtotal - Collateral			1,569,704	-	1,569,704				
Amount over/(under)/ collateralized		$	1,019,737	-	1,019,737				
Total book balance								$	1,188,586

Custodial Credit Risk is the risk that in the event of a bank failure, NCRTD's deposits may not be returned. The NCRTD does not have a policy for custodial credit risk. As of June 30, 2008, The NCRTD bank balances of $1,099,935 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized (fully covered)	$	-
Uninsured, collateral held by the pledging banks, but not in the name of the NCRTD		1,099,935
	$	1,099,935

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF JOINT POWERS AGREEMENTS AND GOVERNMENTAL AGREEMENTS
FOR YEAR ENDED JUNE 30, 2008

Item #	Name of Entity	Type of Agreement JPA/MOA/MOU	Description of Services	Type of Funds	Beginning Date	End Date	Total estimated project amount and amount applicable to Agency	Amount contributed by NCRTD during current fiscal year	Contribution of Working Capital to NCRTD	Termination Clause
1	City of Espanola	MOA	Transportation Services	FTA-5311 Funds Local Match	6/26/2007	6/26/2017 Federal 5311 Local Match	$ 1,725,575 $ 156,962 $ 117,072	$ 552,150.00 32%		Based on Funds Availability
2	County of Rio Arriba	MOA	Transportation Services	FTA-5311 Funds Local Match	7/31/2007	7/31/2017 Federal 5311 Local Match	$ 1,725,575 $ 515,027 $ 304,107	Same as Above 5311 FTA Funds		Based on Funds Availability
3	City of Espanola	MOA	Personnel Transfers	Los Alamos Gross Receipts	10/1/2007	N/A	Wages Paid at Current Rate			Based on NCRTD.s Personnel Policies
4	County of Rio Arriba	MOA	Personnel Transfers	Los Alamos Gross Receipt	10/1/2007	N/A	Wages Paid at Current Rate			Based on NCRTD.s Personnel Policies
5	County of Los Alamos	MOA	To Provide Funds for Working Capital Needs	Los Alamos Gross Receipts	4/17/2007	9/30/2008			$ 500,000	Upon Written Notice by Either Party
6	County of Los Alamos	MOA	To Provide Local Match for 5311 Grant Funds	Los Alamos Gross Receipts	12/14/2007	9/30/2008			$ 1,100,000	Upon Written Notice by Either Party
7	Pueblo of Ohkay Owingeh	MOA	Transportation Services to Welfare & Low Income Receipients	FTA 5316 Local Match- JARC	1/10/2008	1/10/2009	$ 700,000 $ 30,000	$ 350,000 50%		Based on Funds Availability
8	Pueblo of Tesuque	MOA	Transportation Services to Welfare & Low Income Receipients	FTA 5316 Local Match- JARC	9/20/2007	6/30/2008 Local Match	$ 700,000 $ 65,359	Same as #7 Above 5316 FTA Funds		Based on Funds Availability
9	Pueblo of Santa Clara	MOA	Transportation Services to Welfare & Low Income Receipients	FTA 5316 Local Match- JARC	10/1/2007	6/30/2008 Local Match	$ 700,000 $ 30,000	Same as #7 Above 5316 FTA Funds		Based on Funds Availability
10	Pueblo of Pojoaque	MOA	Transportation Services to Welfare & Low Income Receipients	FTA 5316 Local Match- JARC	3/25/2008	6/30/2008 Local Match	$ 700,000 $ 30,000	Same as #7 Above 5316 FTA Funds		Based on Funds Availability
11	NMDOT, Santa Fe County and NCRTD	MOA	El Dorado Shuttle-DOT-STP	Local Match for Federal Grant #6	7/20/2006	12/31/2007	$ 13,600	M00595		Sixty Days Notice by Either Party
12	Santa Fe County	MOA	El Dorado Shuttle	Local Match	1/20/2008	1/30/2009	$ 100,000	28-0089		Sixty Days Notice by Either Party
							$ 1,248,526	$ 902,150	$ 1,600,000	

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

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

We have audited the accompanying basic financial statements of the North Central Regional Transit District (NCRTD) of the as of and for the year ended June 30, 2008, and the budget comparison schedule for the year ended June 30, 2008 presented as supplementary information, and have issued our report thereon dated December 11 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of NCRTD's financial statements that is more than inconsequential will not be prevented or detected by NCRTD's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 06-01, 07-01, 08-01 through 08-08, and 08-10 through 08-11. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NCRTD's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01, 08-01 through 08-04 and 08-06 through 08-08, and 08-10 through 08-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-01, 07-01, 08-01 through 08-05, 08-07 through 08-11.

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

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

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
December 11, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of North Central Regional Transit District. (NCRTD), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. NCRTD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of NCRTD's management. Our responsibility is to express an opinion on the NCRTD’s compliance based on our audit.

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

In our opinion, the NCRTD complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 06-01, 08-07, and 08-11

Internal Control Over Compliance

The management of NCRTD, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the NCRTD's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the NCRTD’s internal control over compliance.

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

A control deficiency in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 06-01, 08-07 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider 06-01 and 08-07 to be material weaknesses.

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

This report is intended solely for the information and use of the Board of Directors, management of the NCRTD, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle & Landers, P.C.
December 11, 2009

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified
Internal Control over financial reporting:	
Material weaknesses identified?	X Yes ____ No
Significant deficiencies identified that are Not considered to be material weaknesses?	X Yes ____ No
Non-compliance material to financial statements noted?	X Yes ____ No

Federal Awards

Internal Control	
Material weaknesses identified?	X Yes ____ No
Significant deficiencies identified that are Not considered to be material weaknesses?	X Yes ____ No
Type of auditors' report issued on major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X Yes ____ No

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

Dollar threshold use to distinguish between
A and B programs: $300,000

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

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION II AND III-FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference FY-Finding #	Findings	Status of Prior Year Findings	Financial Statement Finding	Federal Award Finding	State Auditor Finding
06-01 -	Due Date Of Audit Report And Data Collection Form	Repeated	Yes	Yes	Yes
07-01 -	Missing Disbursement Documentation	Repeated	Yes	No	No
08-01 -	Cash Disbursements—Lack Of Segregation Of Duties/Internal Controls Weaknesses	New	Yes	No	No
08-02 -	Cash Receipts—Lack Of Segregation Of Duties/Internal Controls Weaknesses	New	Yes	No	No
08-03 -	Payroll Function—Lack Of Segregation Of Duties/Internal Controls Weaknesses	New	Yes	No	No
08-04 -	Controls Over Maintaining The General Leger And Audit Report	New	Yes	No	No
08-05 -	Certification Of Capital Assets Annual Inventory	New	Yes	No	Yes
08-06 -	Computer Passwords	New	Yes	No	No
08-07 -	Federal And State Grants	New	Yes	Yes	No
08-08 -	Debit Card	New	Yes	No	No
08-09 -	Payroll Approval Rates, I-9s Not Documented	New	No	No	Yes
08-10 -	Approved Journal Entries	New	Yes	No	No
08-11 -	Recording of Revenue And Changing Original G/L Entries	New	Yes	Yes	No

06-01—LATE AUDIT REPORT/DATA COLLECTION FORM-Modified

Statement of Condition

The annual financial and compliance audit for the year ending June 30, 2008 was not conducted within the time limit imposed by the State of New Mexico guidelines or requirement for the State Auditor Rule for "Conducting of Audits". The Office of the State Auditor received this audit report on December 11, 2009. The Data Collection Form required to be filed with the Federal Clearing House was not submitted within nine months after the end of the fiscal year as required by OMB Circular A-133.320.

Criteria

The requirements set forth in the New Mexico State Auditors' Rule 2 NMAC 2.2 require that the financial and compliance audit be conducted and completed within five and a half months of NCRTD's fiscal year end which was December 15, 2008. The report was not submitted until December 18, 2009. The Data Collection Form is required to be filed within nine months after the end of the fiscal year in accordance with OMB Circular A-133.320.

Effect

The financial and compliance audit is a statute requirement. Failure to have a completed audit by the stipulated date may jeopardize NCRTD's eligibility for funding from the State Legislature and Federal agencies.

Cause

NCRTD did not obtain an auditor until after the December 15th, 2008 deadline and there has been a delay by the organization in preparing the items requested by the auditor in a timely manner.

Recommendation

The auditor and auditee must coordinate the timing of the audit and ensure that deliverables requested by the auditor are ready to be audited in a timely manner in the future to meet the December 15th deadline.

Management Response

The prior year audit was delayed by the NCRTD's then fiscal agent, and further delayed at the State Auditor's office, thus affecting the NCRTD's ability to begin the audit on time. The NCRTD no longer uses a fiscal agent.

07-01—MISSING DISBURSEMENT DOCUMENTATION

Statement of Condition

We selected a random sample of 55 disbursements and 5 journal entries. We also tested 12 significant disbursements and found the following:

- **A)** 1 disbursement out of 60 purchase order approvals was not found.
- **B)** Out of 5 journal entries selected none showed documentation or authorization of journal entry.
- **C)** 4 disbursements out of 60, no approval was found for the disbursement.
- **D)** 1 disbursement out of 60 did not have enough detail of the business purpose of the expense.
- **E)** 5 of the disbursements were travel related disbursements, out of those 5, 1 did not have the detail support of the items for a meal and 1 did not have the business purpose documentation.

Criteria

NCRTD's accounting polices and the State of New Mexico polices and Procurement Code require sufficient supporting documentation.

Effect
NCRTD is out of compliance with the Procurement code and Internal Controls are weak in this area. Because of these weaknesses, the auditor has determined these issues constitute a significant deficiency in NCRTD's internal controls.

Cause
The policies and procedures established by NCRTD 's and the State of New Mexico Procurement code are not always being followed and the requirements have not been monitored.
Recommendation
NCRTD should make improvements to the process by which it implements its procurement process and the State Procurement process as can be noted by the exceptions in the statement of condition above.

Management Response
NCRTD will ensure that staff members are aware of the State Procurement process that internal procedures are adhered to.

08-01—CASH DISBURSEMENTS—LACK OF SEGREGATION OF DUTIES /INTERNAL CONTROLS WEAKNESSES

Statement of Condition

During our interviews about the organization's internal controls and subsequent testing of internal controls of cash disbursements, we determined the following weaknesses:

The Finance Manager (FM) does the following or has the opportunity to:

1. Prepare checks in the accounting software
2. Access to the check stock
3. Print out the checks
4. Reconciles the bank accounts
5. No one reviews the monthly bank reconciliations
6. Is the first person to review the detail in the bank statement received in the mail

Also, after reviewing the bank reconciliations there were 4 checks older than 6 months and therefore considered stale-dated. The amount of the checks were $411.36. Stale dated checks on the bank reconciliation is an indication that the bank reconciliations are not being properly monitored.

Criteria
Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 112 and its appendix require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for the NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner and for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the "Statement of Condition" above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

Cause

The organization was in its development stage during fiscal year 2008 and had limited staff and therefore could not segregate duties.

Recommendation

Based on the staff available during the fieldwork for the audit that primarily took place in August of 2009, we recommend the following:

Segregate the duties as follows:

1. Prepares checks in the accounting software—should be done by the FM.
2. Has access to the check stock—primary access and custodian should be FM.
3. Prints out the checks— should be done by the FM.
4. Reconciles the bank accounts—should be done by the Financial Analyst (FA)
5. No one reviews the monthly bank reconciliations— should be done by the Executive Director (ED). Based on a summary prepared by the financial analyst. (See Exhibit 1 below)
6. Is the first person to review the detail in the bank statement received in the mail—should be done by the Executive Assistant (EA).

Control activities should be implemented as follows:

Item 5, the hard copy reconciliations of the bank accounts should be printed out signed and dated by the reconciler.

Item 6, the bank statement and reconciliation review should be documented with the attached checklist, which should be signed and dated by the reviewer. The checks and deposits and other activities should be reviewed and signed off as completed as described in the bank statement and reconciliation review checklist presented below as Exhibit 1.

Exhibit 1

Bank Statement And Reconciliation Review Checklist

To be completed by A Responsible Official Who Does Not Handle Cash

ACCOUNT:

- ☐ LANB Checking
- ☐ Bank of America Espanola
- ☐ Other

1. *Compare the bank balance shown on the reconciliation report and make sure it matches the amount on the bank statement.*

Bank balance on reconciliation report ________________

Ending balance on bank statement ________________

Do they match? ☐ yes ☐ no

2. *Review the deposit transactions that passed through the bank shown on the bank reconciliation report. Look at the frequency of deposits. There should be a consistency of the frequency of deposits and the gap between deposit dates should not be more that 5 business days, maximum.*

Is there more than 5 days between deposits? ☐ yes ☐ no

If so, what is the reason? ____

3. *Review the disbursement transactions shown on the bank reconciliation report. Look at the check number sequence. The check numbers should be in sequence on the whole. Review the images of the cancelled checks from the bank statement. Determine if the vendors and amounts appear reasonable. Look at signatures to see if they look authentic.*

Are the check numbers mostly in sequence? ☐ yes ☐ no

Are <u>all</u> the check images included? ☐ yes ☐ no

Are there any new vendors? ☐ yes ☐ no

Are the amounts paid to the vendors reasonable? ☐ yes ☐ no

Do the signatures seem authentic? ☐ yes ☐ no

4. *Review any deposits that have been recorded in QuickBooks but have not passed through the bank. Deposits outstanding should not be outstanding more than 5 business days, maximum. Any deposits that appear older than 5 days should be investigated.*

Are there any deposits in transit older than 5 days? ☐ yes ☐ no

If so, what is the reason? ____

5. *Review disbursements that have been recorded in QuickBooks but have not passed through the bank. Determine if the vendors and amounts appear reasonable. If disbursements are older than 3 months they should be investigated. Once disbursements are older than 6 months, they should be researched by the accountant/bookkeeper to determine why they are still outstanding. If there are outstanding disbursements to certain vendors such as tax authorities or other organizations that need timely payment, these should not be outstanding more than 30 days.*
   Review checks that have not cleared the bank.

Are any more than 30 days old? ☐ yes ☐ no

If yes, are the vendors and amounts reasonable? ☐ yes ☐ no

6. *The balance per the register on the reconciliation report should match the balance on the Balance Sheet for the cash account. If it does not that indicates that changes have been made to the cash account after the bank reconciliation was made. If they do not match, the difference should be investigated.*

Ending Balance on reconciliation report ______________________
Operating account balance on Balance Sheet ______________________
Do they match? ☐ yes ☐ no
If not, why not

____

7. *Once the report is printed out, it should be signed and dated by the reconciler and then it should be signed and dated by the reviewer as well. This signing and dating indicate that responsibility has been taken for the monitoring and safeguarding cash*

.
Title and Signature of Review________________________________ Date_____________________

Issues to be aware of:

Is it possible that a disbursement is not for organizational related purposes?
Is the Vendor approved by the organization?

If there are question about items that do not make sense consider contacting you Independent Auditor or the Office of the State Auditor

Management Response

The Financial Analyst (there is currently no Accounting Assistant) was hired only recently and has been tasked so far with audit work and a major portion of a new software implementation. It has always been the plan to integrate her into the general segregation of duties required for proper internal controls as soon as the pressing, time-sensitive projects are well under way.

08-02—CASH RECEIPTS—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES

Statement of Condition

During our interviews about the organization's internal controls and subsequent testing of internal controls of cash receipts, we determined the following: weaknesses:

The Finance Manager (FM) does the following or has the opportunity to:

1. Creates and records the receivable in the accounting software.
2. Receives the checks the come in the mail and has complete access and can edit the check log that the Executive Assistant creates.
3. Stamps the back of the checks "For Deposit Only", limiting the deposit to NCRTD bank accounts.

4. Posts the cash receipts against the receivables previously created or as revenue.
5. Has the ability to adjust and/or write-off receivables balances without any authorization.
6. Is the only one who investigates revenue/receivable discrepancies.
7. Prepares the deposits.
8. Makes the majority of the deposits to the bank.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 112 and its appendix require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for the NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the “Statement of Condition” above, the opportunity is significantly high to misappropriate funds and/or make errors through cash receipts that may go undetected because of the weak control activities associated with lack of safeguarding of cash receipts and the lack of monitoring of the bank account.

Cause

The organization was in its development stage during fiscal year 2008 and had limited staff and therefore could not segregate duties.

Recommendation

Based on the staff available during the fieldwork for the audit that primarily took place in August of 2009, we recommend the following:

Segregate the duties as follows:

1. Creates and records the receivable in the accounting software—should be done by the FM.
2. Receives the checks the come in the mail and has complete access and can edit the check log that the Executive Assistant creates- should not be available to FM except on hard copy additional control activities should be added as noted below.
3. Stamps the back of the checks “For Deposit Only”, limiting the deposit to NCRTD bank accounts—should be done by the EA.
4. Posts the cash receipts against the receivables previously created or as revenue—should be done by the FA.
5. Has the ability to adjust and/or write-off receivables balances without any authorization.—should be done by the FM as authorized in writing by the Board. Is

the only one who investigates revenue/receivable discrepancies—should be done by the FM.

6. Prepares the deposits—should be done by the EA.
7. Makes the majority of the deposits to the bank—should be done by the FA.

Control activities should be implemented as follows:

Item 1, related to this item, a receivable aging report should be reviewed by the Board in as part of the financials that are presented at the Board meetings.

Item 2, because the FM creates the receivables, the FM should not have any access to incoming currency, checks or any other type of cash. The FM should only receive copies of the checks.

Item 3 The incoming checks should be stamped "Deposit Only" for the appropriate NCRTD bank account as soon as possible by the Executive Assistant.

Item 4 the financial analyst should input the cash receipts into the accounting system against the proper receivable balance or general ledger account.

Item 5, A write-off and allowance for doubtful accounts policy should be approved by the Board of Directors. Written documentation by the Board approving should accompany any journal entries adjusting receivables.

Management Response
The recommendations made by the auditor have been implemented by NCRTD.

08-03—PAYROLL FUNCTION—LACK OF SEGREGATION OF DUTIES/INTERNAL CONTROLS WEAKNESSES

Statement of Condition
During our interviews about the organization's internal controls and subsequent testing of internal controls of payroll, we determined the following: weaknesses:

The Finance Manager sets up and disburses payroll direct deposits checks without anyone else's authorization.

Criteria
Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 112 and its appendix require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.
The combination of control deficiencies and lack of segregation of duties increases the opportunity for material misstatements in the financial statements and/or fraud has collectively resulted in a material weakness for NCRTD.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

Effect

Because one person has control over all of the areas cited in the "Statement of Condition" above, the opportunity is significantly high to misappropriate funds and/or make errors through cash disbursements that may go undetected because of the weak control activities associated with lack of safeguarding of cash and the lack of monitoring of the bank account.

Cause

The organization was in its development stage during fiscal year 2008 and had limited staff and therefore could not segregate duties.

Recommendation

Authorization for set up of employee direct deposit accounts should be required by the Executive Director. All payroll registers should be signed off by the executive director after funds are disbursed to employees and related payroll expenditures in a timely manner

Management Response

NCRTD will establish a procedure to ensure that payroll registers and direct deposit accounts are signed off by the Executive Director.

08-04—CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT

Statement of Condition

During our audit we made several adjustments to NCRTD's books that the new SAS 112 requires to report as a finding.

Criteria

Statement of Auditing Standards (SAS) 112 was implemented as of December 15, 2006. Some of the key underlying concepts of this standard follow.

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.

- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.

- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

Effect

Because these adjustments were made by the auditor and not by NCRTD, it results in an internal control weakness in maintaining the general ledger and would extend to the audit report.

Cause
The implementation of SAS 112, which requires the auditor to reconsider the design and processes needed to be implemented and executed by the auditee and carry them forward to the financial statements is the cause of this finding as in previous years these adjustments would not be considered a cause for a finding.

Recommendation
We recommend that NCRTD make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of NCRTD makes the adjustment and understands how and why the adjustments were made and also demonstrate the qualifications and training to present the financial statements according to generally accepted accounting principles..

Management Response
NCRTD has hired a Financial Analyst who will be assisting the Financial Manager is reconciling the general ledger and making adjustments in a timely manner.

08-05—CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY

Statement of Condition
NCRTD did not conduct an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars or more as of June 30, 2008. Also, the inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

Criteria
NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of $5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by Executive Director of the agency.

Effect
The inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

Cause
NCRTD did not have sufficient staff to adequately perform this function.

Recommendation
We recommend that the NCRTD's physical inventory of capital assets contain a certification that the inventory is correct and that it be signed by the executive director of NCRTD.

We also recommend, although it is not required by state statute, that items under $5,000 to an amount of approximately $500 be inventoried and certified along the same lines as what NMAC

2.20.1.16 requires to ensure the safeguarding of important capital assets such as computers, cameras and other valuable assets.

Management Response
NCRTD will establish a procedure to address this concern. The appropriate staff will be assigned to this duty.

08-06—COMPUTER PASSWORDS

Statement of Condition
Access to NCRTD's accounting software is not protected by a password.

Criteria
Access to computers and the related software programs should be contain IT controls. Password protected of the accounting software is one of those controls.

Effect
Unauthorized access, backups can be obtained by virtually anyone on staff and beyond that. It may be possible to make adjustments or delete valuable information undetected.

Cause
Passwords may not have been considered necessary in a small office environment.

Recommendation
We recommend that passwords be placed on the accounting software that are unique and confidential and any other computers and related software in which valuable data is stored. Passwords should be changed once an employee terminates. These issues should all be documented in IT policy

Management Response
The one computer containing the accounting software does have a password, although there is no separate password for the software itself, which resides on one computer and has a single seat license. The NCRTD is in the process of upgrading its accounting software which will have much stronger security.

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

08-07—FEDERAL AND STATE GRANTS

Statement of Condition

NCRTD has a system to track its grant awards, the system needs improvement. Grant revenues and expenditures were not maintained in a summary schedule until the auditor requested the information. Through our reconciliation process NCRTD staff and the auditors discovered approximately $9,000 in receivables that were long over due from a grantor that had not previously realized it had not collected.

Several adjustments in the schedule were required by the staff at NCRTD to reach accurate totals for grant revenues and expenditures and subsequently, the auditor made adjustments to the organization's trial balance to reflect these changes.

Criteria

NCRTD is required to accurately track grants financial activity, including accrual basis revenues and expenditures by grant for its own financial statements and its grantors.

Effect

Errors may occur without an accurate reconciliation of grant revenues and expenditures.

Cause

NCRTD has not implemented an accurate summary schedule of grants revenues and expenditures reconciliation.

Recommendation

We recommend that a summary schedule of state and federal grants is maintained periodically throughout the year that accurately reconciles grant award activity on an accrual basis.

Management Response

This is an effect of inadequate accounting software and shortage of staff. Both have been addressed by the hiring of a Financial Analyst and procurement of better accounting software.

08-08—DEBIT CARD

Statement of Condition

During our interviews about the organization's internal controls and subsequent testing of internal controls of the debit card used for cash disbursements, we determined the following weaknesses:

There is one card that is held primarily by the Executive Director. The card has access to NCRTD's main checking account which as of June 30, 2008 had a balance of $1,170,884.

The card is used to make purchases and has been set at the limit of $1,000 per day. The limit can be changed by the Finance Manager and the Executive Director.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 112 and its appendix require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

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

Effect

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

Cause

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

Recommendation

We recommend that the debit card is removed and a P-Card process be used. The credit card should have a limit of $5,000 or some other amount that is reasonable. The P-Card statement should be reconciled to the general ledger and signed and dated by the reconciler and then reviewed by a responsible official who will sign and date it.

Management Response

NCRTD is in the process of establishing the P-Card process and will utilize this for purchases instead of the debit card.

08-09—PAYROLL APPROVAL RATES, I-9s NOT DOCUMENTED

Statement of Condition

We selected a sample of 5 (five) employees payroll checks to test the controls and substantiation of payroll. Out of the 5 employees selected, the organization could not locate any of the approved pay rate documentation. Also, out of the 5 files tested, 4 files did not contain the I-9 and one did not have the I-9 properly completed. Although we were unable to verify if the pay rates were accurate for the 5 employees we tested, their salary/rate appeared reasonable for their respective positions.

Criteria

Personnel Act (10-9-1 thru 10-9-25 NMSA 1978) and good internal controls require that pay rates are well documented.

Effect

Pay rates can not be verified as to their accuracy.

Cause

Most of the staff was transferred from other local government agencies and their personnel file information was not transferred.

Recommendation

We recommend the personnel files or some other file contain the approved pay rates and documented I-9s.

Management Response
NCRTD has hired an additional employee to handle Human Resource issues. The Human Resources employee will be responsible for ensuring that all personnel files are complete and proper documentation is available.

08-10—APPROVED JOURNAL ENTRIES

Statement of Condition
Journal entries are not always seen or approved by management before they are posted into the accounting system and therefore the authorized documentation concerning the entries was not kept on file to support the journal entries.

Criteria
Good internal controls require that journal entries be approved by a responsible individual not involved in the journal entry preparation or posting, as they can significantly affect the financial statements. Supporting documentation to support the reasoning for each journal entry should be kept on file.

Effect
A large number of journal entries have been posted to several accounts which affect the financials significantly and it is not evident that management has reviewed these journal entries before they were entered into the system.

Cause
Management had not developed procedures for reviewing journal entries before entry into the accounting system.

Recommendation
Controls over journal entries should be established as soon as possible. The person creating the journal entry should initial and date the entry and a responsible official should initial and date the approval of the entry and these records supporting the reason for the journal entry should be maintained.

Management's Response
NCRTD will ensure that staff members are aware of the State Procurement process and that internal procedures are adhered to.

08-11—RECORDING OF REVENUE AND CHANGING PRIOR YEAR TRANSACTIONS

Statement of Condition
During our reconciliation of federal expenditures of federal awards, we discovered:

1. Two transactions recorded receivables without recording the associated revenue in the amount of $100,395. These amounts were subsequently adjusted by the auditor to reflect the proper revenue activity.

2. An original entry was changed that originally debited cash and credited revenue (cash basis) to accrual basis (a receivable was set up and the revenue decreased the receivable). A similar problem was encountered when we reconciled beginning net assets when starting the audit.

Criteria

1. Revenue for reimbursable grants must match expenditures, otherwise, the recording of the revenue and expenditure activity is not accurate.
2. When changes to an entry are made, the original entry should not be altered without an adequate audit trail. It is strongly recommended that a subsequent correcting entry be made rather than changing the original entry.

Effect

1. Many hours were spent reconciling federal award revenue to expenditures of federal awards in order to properly present NCRTD's internal books and the audited financials.
2. Altering transactions in the general ledger indicates a lack of internal controls and will affect the subsequent year's reconciliation of net assets as balance sheet amounts have been altered without an adequate audit trail that will result in additional hours being spent correcting the discrepancies.

Cause

1. & 2. It appears to be a lack of training and monitoring of recording transactions properly in the general ledger and a lack of understanding of the matching concept of revenue and expenditures of reimbursable grants.

Recommendation

1. Grant revenues should be properly recorded and reconciled to their associated expenditures by grant. Funding sources should be adequately isolated in the accounting system to help promote tracking and accountability of the separate grants.

2. Altering original entries in the general ledger should be prohibited. If changes need to be made to original entries, an audit trail should be created with memos that explain why the changes were made. If these changes affect prior years, the adjustment should include changes to the equity account so the reconciliation of net assets can be transparent rather than covered up.

Management's Response

During the period covered by this audit the NCRTD had only one part-time contractor (10 to 15 hours per week) to perform all accounting and finance functions. Subsequent to this audit period the Finance staff has increased to 1.5 FTE and new software has been purchased that provides better audit trail controls over General Ledger transactions

NORTH CENTRAL REGIONAL TRANSIT DISTRICT
Exit Conference
For the Year Ended June 30, 2008

An exit conference was held in a closed session on December 11, 2009, at NCRTD's offices in Santa Fe, New Mexico. In attendance were the following:

Representing NCRTD

Mr. Alfred Herrera	Board of Director
Ms. Josette Lucero	Executive Director
Ms. Marjorie Kaplan	Finance Manager
Ms. Berlinda Ledoux	Financial Analyst

Representing Hinkle & Landers, PC

Mr. Farley Vener, CPA, CFE	Independent Auditor

FINANCIAL STATEMENTS

The financial statements of NCRTD as of June 30, 2008, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.