

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019  
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
DIRECTORY OF PRINCIPAL OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2019

**Board of Directors**

Javier Perea	Chairperson	City of Sunland Park
Nora Barraza	Vice Chair	Town of Mesilla
Jack Eakman	Secretary	City of Las Cruces
Diana Murillo- Trujillo	Treasurer	City of Anthony
Gerald LaFont	Member	City of Elephant Butte
Manuel Sanchez	Member	Dona Ana County
James Whitlock	Member	Town of Hatch
Majorie Powey	Member	Village of Williamsburg

**Other Officials**

David Armijo	Executive Director	South Central Regional Transit District
Velma Navarrete	Finance Manager	South Central Regional Transit District

## INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.  
New Mexico State Auditor and  
Board of Directors  
South Central Regional Transit District  
Anthony, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate fund information and the budgetary comparison for the general fund of the South Central Regional Transit District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the South Central Regional Transit District'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 misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, the aggregate fund information, and the budgetary comparison for the general fund of South Central Regional Transit District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparison that collectively comprise the South Central Regional Transit District basic financial statements.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020 on our consideration of the South Central Regional Transit District'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* in considering South Central Regional Transit District internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Beasley Mitchell & Co LLP". The signature is written in a cursive, flowing style.

Beasley, Mitchell & Co.  
Las Cruces, New Mexico  
July 27, 2020

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

**ASSETS AND DEFERRED OUTFLOWS**

Current assets:	
Cash and cash equivalents (note 2)	\$ 83,754
Accounts receivable	<u>7,007</u>
TOTAL CURRENT ASSETS	90,761
Noncurrent assets:	
Capital assets, net (note 3)	<u>224,103</u>
Total noncurrent assets	<u>224,103</u>
Total assets	314,864
Deferred outflows:	
Contributions made subsequent to measurement date (note 6)	<u>29,745</u>
Total deferred outflows	<u>29,745</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 344,609</u>

**LIABILITIES AND NET POSITION (DEFICIT)**

Current liabilities:	
Accounts payable	\$ 60,525
Current portion of compensated absences (note 4)	-
Accrued payroll	<u>20,800</u>
Total current liabilities	81,325
Non-current liabilities:	
Compensated absences (note 4)	<u>27,490</u>
Total liabilities	108,815
Net position (deficit):	
Net investment in capital assets	224,103
Unrestricted	<u>11,691</u>
Total net position (deficit)	<u>235,794</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 344,609</u>

See accompanying notes to financial statements and independent auditors' report



STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Program Revenues</b>			<b>Change in Net Position</b>	
<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Program Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Primary government:					
Governmental activities:					
General government	\$ 931,200	\$ 122,340	\$ 722,097	\$ -	\$ (86,763)
Total primary government	\$ 931,200	\$ 122,340	\$ 722,097	\$ -	(86,763)
General Revenues:					
					52,008
					52,008
					(34,755)
					316,957
					(46,408)
					270,549
					\$ 235,794

See accompanying notes to financial statements and independent auditors' report

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

<b>ASSETS</b>	<u>General Fund</u>
Current assets:	
Cash and cash equivalents	\$ 83,754
Accounts receivable	<u>7,007</u>
TOTAL CURRENT ASSETS	<u>\$ 90,761</u>
TOTAL ASSETS	
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 60,525
Accrued salaries	<u>20,800</u>
Total Liabilities	81,325
 Fund balances:	
Unassigned, reported in:	
General fund	<u>9,436</u>
Total fund balances	<u>9,436</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,761</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO  
 SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2019

Amounts reported for government activities in the statement of net position are different as a result of the following:

Fund balances - total governmental funds	\$	9,436
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
The cost of capital assets		556,244
Accumulated depreciation		<u>(332,141)</u>
		224,103
Deferred outflows:		
Contributions made after the measurement date, will be recognized as a reduction of net pension liability		29,745
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:		
Compensated absences		<u>(27,490)</u>
Net Position - Statement of Net Position	\$	<u>235,794</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>General Fund</b>
Revenues:	
Charges for services	\$ 122,340
State sources	350,000
Federal Sources	372,097
Miscellaneous	52,008
Total revenues	896,445
Expenditures:	
General government	911,025
Total expenditures	911,025
Excess (deficiency) of revenues over expenditures	(14,580)
Net changes in fund balances	(14,580)
Fund balances, beginning of year	24,016
Fund balances, end of year	\$ 9,436

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO  
 SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN THE FUND  
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
 REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ (14,580)

The changes in net position reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives and reported as depreciation expenses:

Depreciation expense (22,430)

Change in deferred outflows- NPL 29,745

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Compensated absences (27,490)

Change in net position of governmental activities \$ (34,755)

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable (Unfavorable)</b>
Revenues:				
Local sources	\$ 124,790	\$ 124,790	\$ 122,340	\$ (2,450)
Intergovernmental	818,392	818,392	722,097	(96,295)
Miscellaneous	<u>-</u>	<u>-</u>	<u>52,008</u>	<u>52,008</u>
Total revenues	943,182	943,182	896,445	(46,737)
Expenditures:				
General government	<u>937,356</u>	<u>937,356</u>	<u>911,025</u>	<u>26,331</u>
Total expenditures	<u>937,356</u>	<u>937,356</u>	<u>911,025</u>	<u>26,331</u>
Excess (deficiency) of revenues over expenditures	<u>5,826</u>	<u>5,826</u>	<u>(14,580)</u>	<u>(20,406)</u>
Net changes in fund balance Non-GAAP Basis	5,826	5,826	(14,580)	(20,406)
Fund balance - beginning	<u>24,016</u>	<u>24,016</u>	<u>24,016</u>	<u>-</u>
Fund balance - ending	<u>\$ 29,842</u>	<u>\$ 29,842</u>	<u>\$ 9,436</u>	<u>\$ (20,406)</u>

**Reconciliation of Budgetary Basis to GAAP Basis:**

Net changes in fund balance budgetary basis	\$ (14,580)
Expenditure - accruals	<u>-</u>
Net change in fund balance GAAP basis	<u>\$ (14,580)</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the South Central Regional Transit District (the "District"), is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity.

**Reporting Entity** - The South Central Regional Transit District (the "District") was organized under Section 73-25-4 NMSA 1978 to provide the public with a safe and efficient transportation system in southern New Mexico. The transit services are intended to promote independent living for the frail, the elderly, the disabled, and those without access to automobiles by providing essential links to a variety of medical, social and other services.

The South Central Regional Transit District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements) and interpretations. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

These financial statements present the South Central Regional Transit District (the "District") as defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the South Central Regional Transit District reporting entity because of the significance of their operating or financial relationships with the South Central Regional Transit District. Based on the criterion in Generally Accepted Accounting Principles, the South Central Regional Transit District had no component units.

**Basis of Presentation**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities report information about the government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in a whole or in part by fees charged to external parties for goods or services. The South Central Regional Transit District has no business-type activities or fiduciary funds.



STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**Fund Financial Statements** - The fund financial statements provide information about the District's funds. Only statements for governmental funds are presented since the District engaged in government-type activities only. The District reports the following major governmental funds:

**General Fund** - The General Fund is the primary operating fund of the South Central Regional Transit District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Fund** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The South Central Regional Transit District currently has no Special Revenue Funds.

**Measurement Focus, Basis of Accounting**

**Government-Wide Fund Financial Statements** - The government-wide fund financial statements are reported using an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete. The government-wide fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or when the economic asset is used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Derived taxes are recognized when the exchange takes place, and grants are recognized when all eligibility requirements are met.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting (Continued)**

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements are reported using the current financial resource measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Governmental Fund Financial Statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**Budget** - Budgets for all funds are prepared by management and approved by the District's Board of Directors and the New Mexico Department of Finance and Administration. These budgets are prepared on the GAAP modified accrual basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Actual expenditures may not exceed the budget on a by fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Board approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool. New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the South Central Regional Transit District. The pledged securities remain in the name of the financial institution.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets** - Capital assets, which include property, plant, vehicles and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment, Vehicles and Library Books	3-15

**Unearned Revenues** - In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include grants. In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

**Taxes** - The District is exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

**Compensated Absences** - The South Central Regional Transit District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Deferred Inflows/Outflows** - In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate net position that applies to a future period, and so will be recognized as an outflow of resources (expenses/expenditures) then. The Government has deferred outflows at June 30, 2019 of \$29,745.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government had deferred inflows of resources at June 30, 2019 of \$0.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance** - The South Central Regional Transit District has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)** - The Board of Directors establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the highest constrained fund balance.

**Net Position** - Net position represent the difference between assets and liabilities. Net position are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws of other governments. As of June 30, 2019, restricted net position is \$224,103.

**New Governmental Accounting Standards**

In January 2017, GASB Statement No. 84, Fiduciary Activities, was issued. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements for this Statement are effective for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2021. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Governmental Accounting Standards (continued)**

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Governmental Accounting Standards (continued)**

In May 2019, GASB Statement No. 91, Conduit Debt Obligations, was issued. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January, 2020 GASB Statement No. 92, Omnibus 2020, was issued. The objectives of this statements are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March, 2020 GASB Statement No. 93, Replacement of Interbank Offered Rates, was issued. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March, 2020 GASB Statement No. 94, Public -Private and Public -Public Partnerships and Availability Payment Arrangements, was issued. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District is still evaluating how this pronouncement will affect the financial statements.



STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Governmental Accounting Standards (continued)**

In May, 2020 GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, was issued, effective immediately. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District is still evaluating how this pronouncement will affect the financial statements.

In May, 2020 GASB Statement No. 96, Subscription- Based Information Technology Arrangements, was issued. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District is still evaluating how this pronouncement will affect the financial statements.

In June, 2020 GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**2. CASH AND CASH EQUIVALENTS**

New Mexico State Statutes authorize the District to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. The District maintains cash in one financial institution, Bank of the West. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the uninsured deposits. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the South Central Regional Transit District. The pledged securities remain in the name of the financial institution.

As of June 30, 2019, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Bank of the West:			
Operating Account	\$ 44,165	\$ 18,500	\$ 62,665
Payroll Account	19,089	-	19,089
Money Market Account	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total checking accounts	<u>65,254</u>	<u>18,500</u>	<u>83,754</u>
Petty cash held by the District	<u>-</u>	<u>-</u>	<u>-</u>
Total of checking accounts and petty cash	<u>\$ 65,254</u>	<u>\$ 18,500</u>	<u>\$ 83,754</u>

**Custodial Credit Risk-Deposits** - Custodial credit risk is the risk that, in the event of a bank failure the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. Bank balances for the District do not exceed the federal depository insurance, therefore there is no collateral.

As of June 30, 2019, the District's bank balance was not exposed to custodial risk.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**3. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2019 is as follows:

	<b>Balance June 30, 2018</b>	<b>Restatement</b>	<b>Restatement balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2019</b>
Governmental Activities: Capital assets being depreciated:						
Vehicles	<u>602,652</u>	<u>(46,408)</u>	<u>556,244</u>	<u>-</u>	<u>-</u>	<u>556,244</u>
Total capital assets being depreciated	602,652	(46,408)	556,244	-	-	556,244
Less accumulated depreciation for:						
Vehicles	<u>309,711</u>	<u>-</u>	<u>309,711</u>	<u>22,430</u>	<u>-</u>	<u>332,141</u>
Total accumulated depreciation	<u>309,711</u>	<u>-</u>	<u>309,711</u>	<u>22,430</u>	<u>-</u>	<u>332,141</u>
Total capital assets being depreciated, net	<u>292,941</u>	<u>(46,408)</u>	<u>246,533</u>	<u>(22,430)</u>	<u>-</u>	<u>224,103</u>
Governmental activities capital assets, net	<u>\$ 292,941</u>	<u>\$ (46,408)</u>	<u>\$ 246,533</u>	<u>\$ (22,430)</u>	<u>\$ -</u>	<u>\$ 224,103</u>

For the year ended June 30, 2019, depreciation was charged to the following functions:

<b>Governmental Activities</b>	
General government	<u>22,430</u>
Total	<u>\$ 22,430</u>

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**4. ACCRUED COMPENSATED ABSENCES**

The District pays any accumulated accrued vacation leave in a lump cash payment to employees upon termination of employment or to the employee's designated beneficiary upon death. A cash payment, of up to 80 hours, may be requested on the employee's anniversary month, or the month in which they were hired for any unused vacation time. Compensation for sick leave is limited to time-off and is not monetarily compensated. The District does not pay accrued sick leave upon termination.

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
Governmental Activities	\$ -	\$ 42,588	\$ 15,098	\$ 27,490	\$ 15,098
Total	\$ -	\$ 42,588	\$ 15,098	\$ 27,490	\$ 15,098

**5. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, as of year ended June 30, 2019, purchased private insurance to mitigate these risks in the amount of \$6,711. No settlements have exceeded coverage in the last three years.

**6. PERA PENSION PLAN**

GASB 68, Accounting and Financial Reporting for Pensions, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2018.

The District started contributions to PERA in July 1, 2019, consequently no contributions were included in the current measurement period for the District and a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at 2019, will not be recognized. However, contributions subsequent to the measurement date will be included as deferred outflows during FY19.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**PERA PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan** - Plan description. The New Mexico Public Employees Retirement Association (PERA) was created by legislation enacted in 1947. PERA is the administrator of four retirement funds, including the Public Employees Retirement Fund (PERA Fund), the Judicial Retirement Fund, the Magistrate Retirement Fund, and the Volunteer Firefighters Retirement Fund, offering an array of retirement benefit plans to state, county, and municipal employees, police, firefighters, judges, magistrates, and legislators. The four retirement funds are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a). The Deferred Compensation (IRC 457) Fund is an eligible deferred compensation plan as defined by Section 457 to the Internal Revenue Code. The Deferred Compensation Fund is properly excluded from the Schedule of Employer Allocations and Pension Amounts. Refer to Note 1. C. Description of the Funds in PERA's June 30, 2018 Comprehensive Annual Financial Report (CAFR) for more in-depth detail of the pension funds administered by PERA. <http://www.nmpera.org>.

Benefits provided - For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at: <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**PERA PENSION PLAN (CONTINUED)**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for Municipal General Division from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Difference between expected and actual experience	-	-
Contributions subsequent to the measurement date	29,745	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	-
Total	\$ 29,745	\$ -

**7. LINE OF CREDIT**

The District had a \$60,850 line of credit with Bank of the West. The line of credit bears interest monthly at a rate of 11.25%. At June 30, 2019, the District had no outstanding borrowings on the line of credit.

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 27, 2020 the date the financial statements were available to be issued.

On November 21, 2019 the District purchased property for use as a transit bus facility in Anthony, NM in the amount of \$240,000. A grant in the amount of \$200,000 was received from the State of New Mexico for this purchase.

**9. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**10. TAX ABATEMENTS**

There are no tax abatements to report under GASB 77.

**11. RESTATEMENT**

The capital asset schedule for fiscal year 2018 had incorrect amount for one of the assets resulting in the inaccurate computation of the value of capital assets for governmental activities in fiscal year 2018. This resulted in a restatement in the FYE 2019 of \$46,408 for governmental activities.

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

**INDEPENDENT AUDITORS' REPORT**

Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
The Board of Directors  
South Central Regional Transit District  
Anthony, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund of South Central Regional Transit District as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the basic financial statements of South Central Regional Transit District, and have issued our report thereon dated July 27, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered South Central Regional Transit District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Central Regional Transit District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Central Regional Transit District'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. (2019-005). *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. (2019-001) (2019-003).



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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Central Regional Transit District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed one instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. 2019-002 (2018-001), (2019-004) , (2019-006).

### **The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The district'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.

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co.  
Las Cruces, New Mexico  
July 27, 2020

STATE OF NEW MEXICO  
 SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
 SCHEDULE OF AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2019

<b>Prior audit findings</b>		<b>Current status</b>
2019-002 (2018-001)	Late Audit Report - Other Noncompliance	Repeated
 <b>Current audit findings</b>		
2019-001	Timely Reporting and Payments to PERA - Significant Deficiency	New
2019-003	Accuracy and Classification -Significant Deficiency	New
2019-004	Capital Assets- Other Noncompliance	New
2019-005	Cash Reconciliations- Material Weakness and Compliance	New
2019-006	Per Diem- Other Noncompliance	New
2019-007	Prior Period Adjustment- Significant Deficiency	New

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
SUMMARY OF AUDIT RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Summary of Audit Results**

Type of auditors' report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses	Yes
• Noncompliance material to financial statements noted	Yes

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Timely Reporting and Payments to PERA (2019-001) - Significant Deficiency**

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<b>CONDITION</b>	During testwork it was noted that 8 out of 8 PERA contributions tested were not timely reported and paid. Samples tested included pay periods ending 3/1/19, 3/15/19, 3/19/19, 4/12/19, 4/16/19, 5/10/19, and 6/17/19. The District entered the agreement to be part of PERA on July 1, 2018. Late payments totaling \$21,923 were all submitted to PERA during July 2019.
<b>CRITERIA</b>	NMAC 2.80.500.8 states that the employer shall transmit to PERA the member and employer contributions for every member in its employ for each pay period on or before the fifth working day following the payday applicable to the pay period. Interest will be assessed on any remittance of employee contributions not made by the due date of the remittance .
<b>CAUSE</b>	Late PERA payments were due to the timing of funding received during the year. At the time the payments were due, the District did not have any funds available to cover these payments.
<b>EFFECT</b>	Failure to report PERA contributions timely can result in loss of interest for the employees and additional unnecessary fees to the District. The District may be liable to employees for untimely payments.
<b>RECOMMENDATION</b>	The District must ensure that the budgeting process is adequate and sufficient to cover essential expenses as they become due. Amendment of revenue agreements may be necessary to avoid the delay of payments.
<b>RESPONSE</b>	The District will work on procedures to remedy this deficiency.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Finance Manager

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Late Audit Report 2019-002 (2018-001)- Other Noncompliance**

---

<b>CONDITION</b>	The District's audit report was submitted to the New Mexico State Auditor on July 30, 2020. The District is now caught up and plans to file the FY20 audit on time.
<b>CRITERIA</b>	Section 2.2.2A of NMAC requires the submission of the audit report to the New Mexico State Auditor by December 1, 2019.
<b>CAUSE</b>	The District hired a Finance Manager in August of 2018, prior to July 1, 2018 the District was represented by the South Central Council of Governments as its Fiscal Agent. Because of these changes the district did not have an accounting software set up at the time for scheduling fieldwork. The District agreed to set up a QuickBooks account before the start of the audit. Furthermore, the COVID-19 situation and stay at home orders as well as requirements for social distancing, resulted in delayed and limited fieldwork opportunities.
<b>EFFECT</b>	The District will submit their FY 2019 audit after the deadline and will be added to the State Auditors "At Risk" listing. Late audits result in untimely reporting.
<b>RECOMMENDATION</b>	The District should keep up with financial records and schedule fieldwork earlier to ensure the audit report is submitted to the Office of the State Auditor by the December 15 deadline.
<b>RESPONSE</b>	The District plans to schedule fieldwork for the FY20 audit as soon as possible. The District will prepare for fieldwork in a timely manner and will make sure requested documentation is available at the time of fieldwork.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Executive Director

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Accuracy and Classification (2019-003)- Significant Deficiency**

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<b>CONDITION</b>	Most of the accounts in the trial balance related to the statement of revenues and expenditures provided by the District, had to be reclassified because the client did not use correct accounts during their transition to the new accounting system.
<b>CRITERIA</b>	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.
<b>CAUSE</b>	There were errors in the process of transitioning to the new accounting system.
<b>EFFECT</b>	This could result in incorrect balances in the financial statements.
<b>RECOMMENDATION</b>	Management should ensure that all accounts are correctly updated to have correct balances, and proper classification.
<b>RESPONSE</b>	Management will classify accounts correctly and ensure that the trial balance has correct balances.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Executive Director

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Capital Assets (2019-004)- Other Noncompliance**

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<b>CONDITION</b>	The annual physical inventory count of capital assets was not certified by the District's board.
<b>CRITERIA</b>	2.2.10.W.2 Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency governing authority shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors.
<b>CAUSE</b>	The District was not aware of this requirement.
<b>EFFECT</b>	The District is not in compliance with NMAC 2.2.10.W.2.
<b>RECOMMENDATION</b>	We recommend that the board certify the annual inventory upon completion of the physical inventory count as of June 30th.
<b>RESPONSE</b>	The District will have the board certify the correctness of the annual inventory following the completion of the physical inventory count.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Executive Director

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Cash Reconciliations ( 2019-005) -Material Weakness and Compliance**

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<b>CONDITION</b>	Reconciliations were not performed timely. As a result, we identified old outstanding checks in the amount of \$35,000 and old outstanding deposits in the amount of \$53,500. Additionally, account ending in 2003 was not reconciled by \$20,500 and account ending in 2011 was not reconciled by \$1,984. An adjustment was posted and the cash balances are reasonable after adjustment.
<b>CRITERIA</b>	Per Section 6-10-2 NMSA 1978, it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.
<b>CAUSE</b>	The District did not enter information in to QuickBooks once they took over the finances from the Fiscal Agent. This resulted in late bank reconciliations for the entire year.
<b>EFFECT</b>	Failure to reconcile banks eliminates control over the District's money and can result in error or abuse.
<b>RECOMMENDATION</b>	We recommend the District perform reconciliations monthly.
<b>RESPONSE</b>	The District will make sure reconciliations are being performed timely and that the reconciliations as of June 30th are available for the fiscal year end audit.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Executive Director



STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Per Diem (2019-006) -Other Noncompliance**

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<b>CONDITION</b>	During testwork it was noted that 1 out of 2 per diems tested in the amount of \$350.70 did not have a supervisor approval signature.
<b>CRITERIA</b>	2.45.1.10 (A) NMAC - Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under NMAC 2.42.2.12. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless by processing the request earlier. significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.
<b>CAUSE</b>	Very few per diem are paid out annually by the District and the internal controls were not in place.
<b>EFFECT</b>	The District is not in compliance with 2.45.1.10 (A) NMAC
<b>RECOMMENDATION</b>	It is recommended that the District review and approve all per diem prior to travel dates requested by employees.
<b>RESPONSE</b>	The District will be consistent with approval processes for all per diem requests.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: HR Manager

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019

**Prior Period Adjustment (2019-007) - Significant Deficiency**

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<b>CONDITION</b>	A restatement was made to the initial value of capital assets because assets were presented incorrectly in the FY18 financial statements. As a result, the beginning balance for capital assets was adjusted by \$46,408 in the FYE 19.
<b>CRITERIA</b>	Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC.
<b>CAUSE</b>	An asset was recorded twice in the list of capital assets, the asset had been previously recorded correctly by the District and included a second time as an addition in the FY18 financial statements for the value of a subsequent payment on the same asset.
<b>EFFECT</b>	Incorrect representation of capital assets can result in material misstatements of the financial statements.
<b>RECOMMENDATION</b>	It is recommended that the District review and account properly for the additions and disposal of capital assets. The list of capital assets should be reviewed periodically to ensure the accuracy of the value of the assets.
<b>RESPONSE</b>	The District will review the list of capital assets for accuracy and ensure that capital assets are properly accounted for moving forward.

EXPECTED COMPLETION: 06/30/2020

EMPLOYEE RESPONSIBLE: Executive Director



PO Box 2104 • Las Cruces, NM 88004 • 575-323-1620

July 27, 2020

South Central Regional Transit District (the "District") respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Beasley, Mitchell & Co. PO

Box 550

Las Cruces, NM 88001

The findings from the June 30, 2019 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### FINDINGS—FINANCIAL STATEMENT AUDIT

##### **(2019 -001) Timely Reporting and Payments to PERA – Significant Deficiency – New**

*Condition:* During test work it was noted that 8 out of 8 PERA contributions tested were not timely reported and paid. Samples tested included pay periods ending 3/1/19, 3/15/19, 3/19/19, 4/12/19, 4/16/19, 5/10/19, and 6/17/19. The District entered the agreement to be part of PERA on July 1, 2018. Late payments totaling \$21,923 were all submitted to PERA during July 2019.

*Auditors' Recommendation:* The District must ensure that the budgeting process is adequate and sufficient to cover essential expenses as they become due. Amendment of revenue agreements may be necessary to avoid the delay of payments.

*Corrective Action:* The District is caught up with late PERA payments as of July 2019. Payments to PERA have been submitted timely moving forward. The Finance Manager was responsible for correcting this issue.

##### **2019-002 (2018-001) Late Audit Report –Other Noncompliance- Repeated**

*Condition:* The District's audit report was submitted to the New Mexico State Auditor on July 30, 2020. The District is now caught up and plans to file the FY20 audit on time.

*Auditors' Recommendation:* The District should keep up with financial records and schedule fieldwork earlier to ensure the audit report is submitted to the Office of the State Auditor by the December 15 deadline.

*Corrective Action:* Fieldwork has been scheduled earlier in the audit season to allow for timely completion. The Executive Director is responsible and should be resolved by June 30, 2020.

##### **(2019-003) Accuracy and Classification - Significant Deficiency - New**

*Condition:* Most of the accounts in the trial balance related to the statement of revenues and expenditures provided by the District, had to be reclassified because the client did not use correct accounts during their transition to the new accounting system

*Auditors' Recommendation:* Management should ensure that all accounts are correctly updated to have correct balances and proper classification.

*Corrective Action:* The District is working on classifying accounts correctly as transactions arise during the year. The District's Finance Manager did not implement QuickBooks, an accounting software, during FY19. Consequently, all transactions were entered at once after the fiscal year end. Classification of revenues and expenses will be reviewed by the Executive Director before a trial balance is presented to the auditors for FY20 and should be resolved by June 30, 2020.

**(2019-004) Capital Assets – Other Noncompliance - New**

*Condition:* The annual physical inventory count of capital assets was not certified by the District's board.

*Auditors' Recommendation:* We recommend that the board certify the annual inventory upon completion of the physical inventory count as of June 30th.

*Corrective Action:* The District has an updated capital list available and will present it to the board of directors for certification. In the absence of the Finance Manager, the Executive Director is responsible for this action and is expected to be resolved by June 30, 2020.

**(2019-005) Cash Reconciliations – Material Weakness - New**

*Condition:* Reconciliations were not performed timely. As a result, we identified old outstanding checks in the amount of \$35,000 and old outstanding deposits in the amount of \$53,500. Additionally, account ending in 2003 was not reconciled by \$20,500 and account ending in 2011 was not reconciled by \$1,984. An adjustment was posted, and the cash balances are reasonable after adjustment.

*Auditors' Recommendation:* We recommend the District perform reconciliations monthly.

*Corrective Action:* In the absence of the Finance Manager, the Executive Director will make sure reconciliations are performed timely and accurately by June 30, 2020.

**(2019-006) Per Diem – Other Noncompliance - New**

*Condition:* During test work it was noted that 1 out of 2 per diems tested in the amount of \$350.70 did not have a supervisor approval signature.

*Auditors' Recommendation:* It is recommended that the District review and approve all per diem prior to travel dates requested by employees

*Corrective Action:* Internal controls for per diem are set up and appropriate. The District will make sure to follow procedures for all per diem requests during the year. The HR Manager/ Procurement Officer is responsible for this action and is expected to be resolved by June 30, 2020.

**(2019-007) Prior Period Adjustment – Significant Deficiency- New**


*Condition:* A restatement was made to the initial value of capital assets because assets were presented incorrectly by the previous Auditor and Finance Manager in the FY18 financial statements. As a result, the beginning balance for capital assets was adjusted by \$46,408 in the FYE 19.

*Auditors' Recommendation:* It is recommended that the District review and account properly for the

additions and disposal of capital assets. The list of capital assets should be reviewed periodically to ensure the accuracy of the value of the assets.

*Corrective Action:* The District has reviewed the list of capital assets for accuracy and will ensure that capital assets are properly accounted for moving forward. In the absence of the Finance Manager, the Executive Director is responsible for this action and is expected to be resolved by June 30, 2020.

Sincerely yours,

A handwritten signature in black ink that reads "David Armijo". The signature is written in a cursive style with a large, stylized 'D' and 'A'.

David Armijo

Executive Director

STATE OF NEW MEXICO  
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT  
ENTRANCE AND EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted June 3, 2020 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

South Central Regional Transit District

Velma Navarrete	Finance Manager
Javier Perea	Board Member

Beasley, Mitchell & Co., LLP

Itza Sosa	Staff Auditor
Avi Chettry	Senior Auditor

An exit conference was conducted July 17, 2020 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

South Central Regional Transit District

David Armijo	Executive Director
Javier Perea	Board Member
Sara Vasquez	HR Manager/ Procurement Officer

Beasley, Mitchell & Co., LLP

Itza Sosa	Staff Auditor
Avi Chettry	Senior Auditor

**FINANCIAL STATEMENT PREPARATION**

The financial statements of the South Central Regional Transit District as of, and for the year ended, June 30, 2019 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.