

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	Page
DIRECTORY OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - General Fund	13
Notes to Financial Statements	14 - 31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	33
Schedule of Contributions	34
Notes to the Required Supplementary Information	35

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
FOR THE YEAR ENDED JUNE 30, 2022

COMPLIANCE

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* 37 - 38

Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform
Guidance 39 - 41

Schedule of Expenditures of Federal Awards 42

Notes to Schedule of Expenditures of Federal Awards 43

Schedule of Findings and Questioned Costs 44 - 46

Entrance and Exit Conference 47

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2022

Board of Directors

Javier Perea	Chairperson	City of Sunland Park
Nora Barraza	Vice Chair	Town of Mesilla
Diana Murillo- Trujillo	Treasurer	City of Anthony
Yvonne Flores	Member	City of Las Cruces
Majorie Powey	Member	Village of Williamsburg
Lynn Ellins	Member	Dona Ana County
Peter Atencio	Member	Village of Hatch

Other Officials

David Armijo	Executive Director	SCRTD
Adam S. Shea	Finance Officer	SCRTD



Beasley, Mitchell & Co.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of South Central Regional Transit District as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of the South Central Regional Transit District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South Central Regional Transit District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Central Regional Transit District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Central Regional Transit District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Central Regional Transit District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Regional Transit District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 14, 2022

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS

Current assets:	
Cash and cash equivalents (note 2)	\$ 31,491
Accounts receivable	<u>193,687</u>
TOTAL CURRENT ASSETS	225,178
Noncurrent assets:	
Right to use asset, net (note 4)	111,683
Capital assets, net (note 3)	<u>1,846,386</u>
Total noncurrent assets	<u>1,958,069</u>
Total assets	2,183,247
Deferred outflows:	
Deferred outflows- NPL (note 7)	<u>478,501</u>
Total deferred outflows	<u>478,501</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2,661,748</u>

LIABILITIES AND NET POSITION (DEFICIT)

Current liabilities:	
Accounts payable	\$ 90,754
Current portion of compensated absences (note 4)	14,499
Accrued salaries	56,469
Current portion of long-term-debt	38,000
Current portion of lease liability	<u>29,596</u>
Total current liabilities	229,318
Non- current liabilities:	
Compensated absences (note 5)	28,998
Lease liability (note 9)	90,225
Net pension liability	<u>719,760</u>
Total non-current liabilities	<u>838,983</u>
Total liabilities	1,068,301
Deferred inflows:	
Deferred inflows- NPL (note 7)	298,244
Unearned revenue	<u>4,167</u>
Total deferred inflows of resources	302,411
TOTAL LIABILITIES AND DEFERRED INFLOWS	1,370,712
Net position :	
Net investment in capital assets	1,800,248
Unrestricted	<u>(509,212)</u>
Total net position	<u>1,291,036</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,661,748</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, 2022

	Program Revenues				Change in Net Position
Functions/Programs:	Expenditures	Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,262,748	\$ 147,622	\$ 1,748,031	\$ 97,184	\$ (269,911)
Total primary government	<u>\$ 2,262,748</u>	<u>\$ 147,622</u>	<u>\$ 1,748,031</u>	<u>\$ 97,184</u>	(269,911)
			General Revenues:		
			Loan proceeds		60,500
			Miscellaneous		4,283
			Total general revenues		<u>64,783</u>
			Change in net position		(205,128)
			Net position (deficit), beginning as previously stated		<u>1,496,165</u>
			Net position (deficit), end of year		<u>\$ 1,291,036</u>

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
AS OF JUNE 30, 2022

ASSETS	<u>General Fund</u>
Current assets:	
Cash and cash equivalents	\$ 31,491
Accounts receivable	<u>193,687</u>
TOTAL ASSETS	<u>\$ 225,178</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 90,754
Accrued salaries	<u>56,469</u>
Total Liabilities	147,223
Deferred Inflows:	
Unearned revenue	<u>4,167</u>
Total liabilities and deferred inflows	151,390
Fund balances:	
Unassigned, reported in:	
General fund	<u>73,788</u>
Total fund balances	<u>73,788</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 225,178</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, 2022

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

Fund balances - total governmental funds		\$ 73,788
--	--	-----------

Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:

Right of use asset	148,911	
Accumulated depreciation	<u>(37,228)</u>	111,683
The cost of capital assets	2,703,077	
Accumulated depreciation	<u>(856,691)</u>	1,846,386

Deferred outflows - NPL		478,501
-------------------------	--	---------

Deferred inflows - NPL		(298,244)
------------------------	--	-----------

Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:

Lease liability	(119,821)	
Compensated absences	(43,497)	
Long-term debt	(38,000)	
Net pension liability	<u>(719,760)</u>	<u>(921,078)</u>

Net Position - Statement of Net Position		\$ <u>1,291,036</u>
--	--	---------------------

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, 2022

	General Fund
Revenues:	
Charges for services	\$ 147,622
State sources	832,623
Federal sources	1,012,592
Miscellaneous	4,283
Total revenues	1,997,120
Expenditures:	
General government	1,724,884
Capital outlay	188,760
Total expenditures	1,913,644
Excess (deficiency) of revenues over expenditures	83,476
Other financing sources (uses):	
Principle payments	(72,651)
Lease payments	(29,090)
Loan proceeds	60,500
Lease interest	(2,590)
Total other financing sources	(43,831)
Net changes in fund balances	39,645
Fund balances, beginning of year	34,143
Fund balances, end of year	\$ 73,788

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, 2022

Net change in fund balances - total governmental funds \$ 39,645

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:

ROU Asset	148,911	
Amortization expense	<u>(37,228)</u>	111,683
Capital outlay	188,760	
Depreciation expense	<u>(199,995)</u>	(11,235)
Change in deferred outflows- NPL		(163,255)
Change in deferred inflows- NPL		(298,244)
Change in net pension liability		224,620

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.

Lease issuance		(148,911)
Payment on lease		29,090
Change in compensated absences		(672)
Loan payment		72,651
Loan issuance costs, net		<u>(60,500)</u>
Change in net position of governmental activities		<u>\$ (205,128)</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 BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Local sources	\$ 107,960	\$ 107,960	\$ 147,622	\$ 39,662
Federal Sources	2,104,650	2,586,327	1,012,592	(1,573,735)
Intergovernmental	179,540	231,089	720,353	489,264
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,283</u>	<u>4,283</u>
Total revenues	2,392,150	2,925,376	1,884,850	(1,040,526)
Expenditures:				
General government	<u>1,956,284</u>	<u>2,016,784</u>	<u>1,867,705</u>	<u>149,079</u>
Total expenditures	<u>1,956,284</u>	<u>2,016,784</u>	<u>1,867,705</u>	<u>149,079</u>
Excess (deficiency) of revenues over expenditures	<u>435,866</u>	<u>908,592</u>	<u>17,145</u>	<u>(891,447)</u>
Other financing sources				
Principle payments	-	-	(72,651)	(72,651)
Lease payments	-	-	(29,090)	(29,090)
Loan proceeds	-	-	60,500	60,500
Lease interest	<u>-</u>	<u>-</u>	<u>(2,590)</u>	<u>(2,590)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(43,831)</u>	<u>(43,831)</u>
Net changes in fund balance Non-GAAP Basis	435,866	908,592	(26,686)	(935,278)
Cash fund balance - beginning	<u>58,177</u>	<u>58,177</u>	<u>58,177</u>	<u>-</u>
Cash fund balance - ending	<u>\$ 494,043</u>	<u>\$ 966,769</u>	<u>\$ 31,491</u>	<u>\$ (935,278)</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ (26,686)
Revenue - accruals	112,270
Expenditure - accruals	<u>(45,939)</u>
Net change in fund balance GAAP basis	<u>\$ 39,645</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, 2022

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.

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:

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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.

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.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting (Continued)

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.

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.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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, and Vehicles	3-15

Interfund Activity - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are netted as a part of the reconciliation to the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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.

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.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 of \$478,501.

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, 2022 of \$298,244.

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.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, restricted net position is \$1,800,248.

New Governmental Accounting Standards

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, 2021.

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.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (continued)

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.

In October 2021 GASB Statement No. 98 was issued. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Bank of the West:			
Operating Account	\$ 23,791	\$ (3,767)	\$ 20,024
Money Market Account	<u>11,467</u>	<u>-</u>	<u>11,467</u>
Total checking accounts	<u>35,258</u>	<u>(3,767)</u>	<u>31,491</u>
Petty cash held by the District	<u>-</u>	<u>-</u>	<u>-</u>
Total of checking accounts and petty cash	<u>\$ 35,258</u>	<u>\$ (3,767)</u>	<u>\$ 31,491</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. As of June 30, 2022 bank balances for the District do not exceed the federal depository insurance, therefore there is no collateral.

As of June 30, 2022, 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, 2022

3. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 69,402	\$ -	\$ -	\$ 69,402
Total capital assets not being depreciated	<u>69,402</u>	<u>-</u>	<u>-</u>	<u>69,402</u>
Capital assets being depreciated:				
Vehicles	2,145,589	188,760	-	2,334,349
Buildings and improvements	266,880	-	-	266,880
Equipment	<u>32,446</u>	<u>-</u>	<u>-</u>	<u>32,446</u>
Total capital assets being depreciated	<u>2,444,915</u>	<u>188,760</u>	<u>-</u>	<u>2,633,675</u>
Total capital assets	<u>2,514,317</u>	<u>188,760</u>	<u>-</u>	<u>2,703,077</u>
Less accumulated depreciation for:				
Vehicles	645,153	186,150	-	831,303
Buildings and improvements	6,408	6,663	-	13,071
Equipment	<u>5,135</u>	<u>7,182</u>	<u>-</u>	<u>12,317</u>
Total accumulated depreciation	<u>656,696</u>	<u>199,995</u>	<u>-</u>	<u>856,691</u>
Total capital assets being depreciated, net	<u>1,788,219</u>	<u>(11,235)</u>	<u>-</u>	<u>1,776,984</u>
Governmental activities capital assets, net	<u>\$ 1,857,621</u>	<u>\$ (11,235)</u>	<u>\$ -</u>	<u>\$ 1,846,386</u>

For the year ended June 30, 2022, depreciation was charged to the following functions:

Governmental Activities	
General government	<u>\$ 199,995</u>
Total	<u>\$ 199,995</u>

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

4. RIGHT TO USE ASSET

A summary of right to use assets and changes occurring during the year ended June 30, 2022 are as follows:

<u>Description</u>	<u>Lease Asset</u>	<u>Accumulated Amortization</u>	<u>Right to Use Asset, Net</u>
Bus facility	\$ 142,436	\$ (35,609)	\$ 106,827
Canon printers	6,475	(1,619)	4,856
	<u>\$ 148,911</u>	<u>\$ (37,228)</u>	<u>\$ 111,683</u>

<u>June 30,</u>	<u>Bus Facility</u>		<u>Canon Printers</u>	
	<u>Amortization</u>	<u>Net Book Value</u>	<u>Amortization</u>	<u>Net Book Value</u>
2023	\$ (35,609)	\$ 71,218	\$ (1,619)	\$ 3,238
2024	(35,609)	35,609	(1,619)	1,619
2025	(35,609)	-	(1,619)	-
Total	<u>(106,827)</u>	<u>106,827</u>	<u>(4,857)</u>	<u>4,857</u>

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

5. 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.

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities	<u>\$ 42,825</u>	<u>\$ 45,438</u>	<u>\$ 44,766</u>	<u>\$ 43,497</u>	<u>\$ 14,499</u>
Total	<u>\$ 42,825</u>	<u>\$ 45,438</u>	<u>\$ 44,766</u>	<u>\$ 43,497</u>	<u>\$ 14,499</u>

6. 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, 2022, purchased private insurance to mitigate these risks in the amount of \$521. No settlements have exceeded coverage in the last three years.

7. PERA 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, 2021 Annual Comprehensive Financial Report (ACFR) for more in-depth detail of the pension funds administered by PERA. <http://www.nmpera.org>.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7. PERA PENSION PLAN

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, 2021 available at: <https://www.nmpera.org/assets/uploads/home-banner/Schedule-of-Employer-Allocation-FY21-Final.pdf>

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, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2020, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2021.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members.

The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2021. Only employer contributions for the pay period end dates that fell within the period of July 1, 2021 to June 30, 2022 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2021 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7. PERA PENSION PLAN (CONTINUED)

For the year ended June 30, 2022, the 2021 recognized PERA Fund Municipal General Division pension expense of \$539,503. At June 30, 2022, the District reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 17,917	\$ 2,464
Changes in assumptions	237	-
Net difference between projected and actual earnings on pension plan investments	-	295,780
Contributions subsequent to the measurement date	65,022	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>395,325</u>	<u>-</u>
Total	<u>\$ 478,501</u>	<u>\$ 298,244</u>

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7. PERA PENSION PLAN (CONTINUED)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2021 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2021 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of 2021. These actuarial methods and assumptions were adopted by the Board for use in the 2021 actuarial valuation.

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, Open
Payroll growth rate	3.00%
Remaining amortization period	25 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.25%
Administrative expenses	.50% of payroll
Projected salary increases*	3.25% - 13.50%
Post-retirement benefit increases	1.60% compounded annually beginning 7/1/2023 (2.5% for certain retirees and disabled participants age 75 or older or with annual benefits less than \$25,000)

*Includes inflation at 2.50%.

For PERA Fund Municipal General Division, at June 30, 2022, the District reported a liability of \$719,760 for its proportionate share of the net pension liability.

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB'S 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

7. PERA PENSION PLAN (CONTINUED)

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that South Central Regional Transit District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of South Central Regional Transit District, calculated using the discount rate of 7.25 percent, as well as what District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>6.25%</u>	Current <u>7.25%</u>	1% Increase <u>8.25%</u>
Net Pension Liability	\$ <u>1,291,091</u>	\$ <u>719,760</u>	\$ <u>245,824</u>

In June 30, 2022 \$65,022, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:

2022	\$ 188,539
2023	58,417
2024	(10,540)
2025	(121,181)

Additional information on PERA, and the Actuarial assumptions may be found at:
<http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2020-GASB-68-Report.pdf>.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

8. LOANS

The District has a \$60,500 on demand commercial loan with Bank of the West. The loan bears interest monthly at a rate of 13.00%. At June 30, 2022, the District had an outstanding balance of \$38,000.

9. LEASES

Lease Liability

Lease liability for a bus facility originating on October 1, 2020 with a 3 year term and a 3 year option to extend and no explicit interest rate and incremental borrowing rate of 1.75%.	\$ 114,929
Lease liability for 2 canon printers originating on 11/4/2019 with a 5 year term and no explicit interest rate and incremental borrowing rate of 1.50%.	<u>4,892</u>
Total lease liability	<u>\$ 119,821</u>

The following is a summary of the leases obligations and the activity for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Bus facility	\$ 142,436	\$ -	\$ 27,507	\$ 114,929	\$ 27,989
Canon printers	<u>6,475</u>	<u>-</u>	<u>1,583</u>	<u>4,892</u>	<u>1,607</u>
Total governmental activities	<u>\$ 148,911</u>	<u>\$ -</u>	<u>\$ 29,090</u>	<u>\$ 119,821</u>	<u>\$ 29,596</u>

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

9. LEASES (CONTINUED)

The annual requirements to amortize the lease of the bus facility outstanding as of June 30, 2022, including interest payments with interest rates of 1.75% as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 27,989	\$ 2,011	\$ 30,000
2024	28,479	1,521	30,000
2025	28,977	1,023	30,000
2026	<u>29,484</u>	<u>516</u>	<u>30,000</u>
	<u>\$ 114,929</u>	<u>\$ 5,071</u>	<u>\$ 120,000</u>

The annual requirements to amortize the lease of the canon printers outstanding as of June 30, 2022, including interest payments with interest rates of 1.50% as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,607	\$ 73	\$ 1,680
2024	1,631	49	1,680
2025	<u>1,654</u>	<u>25</u>	<u>1,679</u>
	<u>\$ 4,892</u>	<u>\$ 147</u>	<u>\$ 5,039</u>

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2022 the date the financial statements were available to be issued.

11. 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.

12. TAX ABATEMENTS

There are no tax abatements to report under GASB 77.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS
For the YEAR ENDED JUNE 30, 2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>
The South Central Regional Transit District's proportion of the net pension liability	\$ 590,305	\$ 944,380	\$ 719,760
The South Central Regional Transit District's proportionate share of the net pension liability	0.03410%	0.0467%	0.0639%
The South Central Regional Transit District's covered-employee payroll	\$ 576,914	\$ 788,671	\$ 849,965
The South Central Regional Transit District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	102.32 %	119.74 %	84.68 %
Plan fiduciary net position as a percentage of the total pension liability	70.52 %	66.36 %	77.25 %

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

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF VILLAGE OF COLUMBUS' CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
For the YEAR ENDED JUNE 30, 2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 41,865	\$ 57,605	\$ 65,002
Contributions in relation to the contractually required contribution	<u>41,865</u>	<u>57,605</u>	<u>65,002</u>
Contribution deficiency (excess)	-	-	-
The South Central Regional Transit District' covered-employee payroll	<u>\$ 576,914</u>	<u>\$ 788,671</u>	<u>\$ 849,965</u>
Contributions as a percentage of covered-employee payroll	<u>7.26 %</u>	<u>7.30 %</u>	<u>7.65 %</u>

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

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the YEAR ENDED JUNE 30, 2022

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY2021 audit available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2020-GASB-68-Report.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of See accompanying notes to financial statements is available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2020-GASB-68-Report.pdf>. See Appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2020 valuation.

COMPLIANCE SECTION



INDEPENDENT AUDITORS' 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

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, 2022 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 December 14, 2022.

Report on 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

Report on 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 instance of noncompliance or other matters that are required to be reported under Government Auditing Standards. (2022-001)

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.
Las Cruces, New Mexico
December 14, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central Regional Transit District's compliance with the types of compliance requirements described in the Uniform Grant Guidance that could have a direct and material effect on each of South Central Regional Transit District's major federal programs for the year ended June 30, 2022. South Central Regional Transit District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central Regional Transit District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Central Regional Transit District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Central Regional Transit District's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to South Central Regional Transit District's federal programs.

Auditors Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Central Regional Transit District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Central Regional Transit District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Central Regional Transit District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Central Regional Transit District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Central Regional Transit District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

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

Government Auditing Standards requires the auditor to perform limited procedures on South Central Regional Transit District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. South Central Regional Transit District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 14, 2022

STATE OF NEW MEXICO
 SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Program Title	Federal Assistance Listing Number	State ID Number	Federal Program Expenses
<u>New Mexico Department of Transportation</u>			
Pass-through New Mexico Department of Transportation			
Formula Grants for Rural Areas *	20.509	MO1733/MO1791	\$ 915,409
Pass-through New Mexico Department of Transportation Transit Program Cluster			
Bus and Bus Facilities Formula & Discretionary Programs	20.526	MO1733/MO1791	<u>97,184</u>
Total New Mexico Department of Transportation			<u>\$ 1,012,593</u>

* Indicates a major program

STATE OF NEW MEXICO
South Central Regional Transit District
NOTES TO THE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Central Regional Transit District for the year ended June 30, 2022 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule only presents a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the South Central Regional Transit District.

2. COST RATE

The District did not use the 10% de minimis cost rate for the current year.

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

Federal Awards

Type of auditors' report issued: Unmodified

Internal control over major programs

- Material weakness (es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Grant Guidance? No

Identification of Major Programs:
Federal Assistance Listing Number

Name of Federal Program or Cluster

20.509

Formula Grants for Rural areas and Tribal Transit Program

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee Yes

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section II - Federal Awards Findings:

None

Financial statements findings:

Prior audit findings		Current status
2021-001	Legal Compliance with Budget- Other Non-Compliance	Resolved
Current audit findings		
2022-001	Compliance with Accrued Leave Policies - Other Non- Compliance	New

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

2022-001 Compliance With Accrued Leave Policies - Other Non- Compliance

CONDITION	The District failed to comply with accrued leave policies. Two employees exceeded the maximum allowed accrued PTO for a total of 230 hours.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "Failure in the operation of effectively designed controls over a significant account or process."
CAUSE	The District changed payroll providers during FY22, the rules for compensated absences were not properly set up in the system.
EFFECT	Improper control of compensated absences can cause the District to over pay compensated absence liabilities.
RECOMMENDATION	It is recommended that all compensated absence balances are reviewed while conducting payroll processes.
RESPONSE	The District will review accrued leave every payroll period to ascertain the accuracy of the calculation by the payroll system. The payroll provider has been communicated about the error and will correct in a timely manner.

EXPECTED COMPLETION: 06/30/2023

EMPLOYEE RESPONSIBLE: Finance Officer



830 Anthony Drive, Anthony, NM 88027

December 14, 2022

South Central Regional Transit District respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:
Beasley, Mitchell & Co. PO Box 550
Las Cruces, NM 88001

The finding from the June 30, 2022 schedule of findings is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022-001 Compliance with Accrued Leave Policies - Other Non - Compliance

Condition: The District failed to comply with accrued leave policies. Two employees exceeded the maximum allowed accrued PTO for a total of 230 hours.

Auditors' Recommendation: It is recommended that all compensated absences are reviewed while conducting payroll processes.

Corrective Action: The District will review accrued leave every payroll period to ascertain the accuracy of the calculation by the payroll system. The payroll provider has been communicated about the error and will correct it in a timely manner.

Sincerely,

David Armijo

David Armijo
Executive Director

STATE OF NEW MEXICO
SOUTH CENTRAL REGIONAL TRANSIT DISTRICT
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2022

An entrance conference was conducted September 27, 2022 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 President
Adam S. Shea	Finance Officer

Beasley, Mitchell & Co., LLP

Itza Sosa, CPA	Senior Auditor
----------------	----------------

An exit conference was conducted December 13, 2022 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 President
Adam S. Shea	Finance Officer

Beasley, Mitchell & Co., LLP

Itza Sosa, CPA	Senior Auditor
----------------	----------------

FINANCIAL STATEMENT PREPARATION

The financial statements of the South Central Regional Transit District as of, and for the year ended, June 30, 2022 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.