



**SALTILLO PUBLIC  
IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 and 2010**

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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**SALTILLO PUBLIC IMPROVEMENT DISTRICT**

**Official Roster  
As of June 30, 2012**

**Board of Directors**

Vincent Pizzonia	Chairman
Cilia Agliandolo	Clerk
Rex Wilson	Treasurer
Jon Zaman	Member
Michael Riordan	Member

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Saltillo Public Improvement District  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund and the budgetary comparisons for the general fund of Saltillo Public Improvement District (the "District") as of and for the years ended June 30, 2012, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the capital project fund and major debt service funds presented as supplementary information in the fund statements for the years ended June 30, 2012, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 and the respective budgetary comparisons for the general fund of Saltillo Public Improvement District as of June 30, 2012, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparisons for the capital project fund and debt service funds for the years ended June 30, 2012, 2011 and 2010 in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Saltillo Public Improvement District  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Mess Adams LLP*

Albuquerque, New Mexico  
August 15, 2014

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2012, 2011 AND 2010**

As management of the Saltillo Public Improvement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ending June 30, 2012, 2011 and 2010. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

The District is a political subdivision of State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, City of Albuquerque (City) Enactment No. 0-2003-12 and City Resolution Enactment No. R-2007-150 adopted on November 19, 2007, the "Formation Resolution."

In addition to forming the District, the Formation Resolution also authorized the imposition and collection of a Special Levy against real property in the District, all of which will benefit from the Special Levy, to be used for the purpose, among others, of paying the principal of and interest on such bonds, as more particularly described herein.

*Financial Highlights*

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal years 2012, 2011 and 2010 as follows:

- In the Statements of Net Assets, the District's total net assets as of June 30, 2012, 2011 and 2010 amounted to negative \$3,530,695, \$3,626,322 and \$3,733,738, respectively.
- In the Statements of Activities, the special levy revenue amounted to:
  - June 30, 2012 - \$ 534,620
  - June 30, 2011 - \$ 539,028
  - June 30, 2010 - \$ 422,665
- In the Statements of Activities, the District incurred \$439,089, \$431,694 and \$1,168,642 in debt service payments, construction and general government expenses for years ended June 30, 2012, 2011 and 2010, respectively.

*Overview of Financial Statements*

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
JUNE 30, 2012, 2011 AND 2010**

The statement of activities presents information showing how the District's net assets changed during the fiscal years reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are presented in the following category:

***Governmental activities*** – Governmental activities include the District's basic activities to reimburse the developer for the construction of certain public infrastructure improvements as provided in the Act and the governing documents of the District, including the Development Agreement among the District, the developer and the City.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations are on pages 15 and 19, respectively.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of these financial statements.

**Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a district's financial position. The District's liabilities exceeded assets as follows:

- \$3,530,695 as of June 30, 2012
- \$3,626,322 as of June 30, 2011
- \$3,733,738 as of June 30, 2010



**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
JUNE 30, 2012, 2011 AND 2010**

The following table presents the condensed net assets (deficit) for the fiscal years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 1,070,579	\$ 1,034,939	\$ 1,006,608
Other Assets	146,114	151,901	157,687
<b>Total Assets</b>	<u>1,216,693</u>	<u>1,186,840</u>	<u>1,164,295</u>
Current Liabilities	193,889	197,613	225,432
Long-term Obligations			
Outstanding	4,553,499	4,615,549	4,672,601
<b>Total Liabilities</b>	<u>4,747,388</u>	<u>4,813,162</u>	<u>4,898,033</u>
<b>Net Assets – Unrestricted (deficit)</b>	<u>(3,530,695)</u>	<u>(3,626,322)</u>	<u>(3,733,738)</u>

The following are significant transactions that have had an impact on the Statements of Net Assets:

- Administrative expenditures amounted to \$71,597, \$46,746 and \$76,798 for the years ended June 30, 2012, 2011 and 2010, respectively.
- Construction expenditures amounted to \$0, \$12,977 and \$716,728 for the years ended June 30, 2012, 2011 and 2010, respectively.
- Interest expense amounted to \$367,492, \$371,971 and \$375,116 for the years ended June 30, 2012, 2011 and 2010, respectively.
- Special levy revenue amounted to \$534,620, \$539,028 and \$422,665 for the years ended June 30, 2012, 2011 and 2010.

**Changes in net assets.** The following table presents a summary of the changes in net assets (deficit) for fiscal years ended June 30:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Expenses</b>			
Public works – construction	\$ -	\$ (12,977)	\$ (716,728)
Interest	(367,492)	(371,971)	(375,116)
General government	(71,597)	(46,746)	(76,798)
<b>Total Expenses</b>	<u>(439,089)</u>	<u>(431,694)</u>	<u>(1,168,642)</u>
<b>General Revenues</b>			
Special levy	534,620	539,028	422,665
Interest	96	82	119
<b>Total Revenues</b>	<u>534,716</u>	<u>539,110</u>	<u>422,784</u>
<b>Change in net assets</b>	<u>\$ 95,627</u>	<u>\$ 107,416</u>	<u>\$ (745,858)</u>

**Financial Analysis of the Government's Funds**

The District's revenues in the governmental funds for the years ended June 30, 2012, 2011 and 2010 amounted to \$534,716, \$540,785 and \$424,722, respectively. The District's main source of revenue is the special levy assessed to properties within the District. The major expenditures of the District are debt service payments and administrative expenses.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
JUNE 30, 2012, 2011 AND 2010**

**General Fund Budgetary Highlights**

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service requirements and estimated delinquency) and the interest income from funds, to determine the special levy each year. There were no significant changes between original and final budgets for fiscal years ending 2012, 2011 and 2010.

**Capital Assets and Debt Administration**

The District owns no significant capital assets. The District is expected to transfer all public infrastructure improvements owned by the District to the City.

Pursuant to Resolution No. 2008-2 adopted on April 25, 2008, the District issued its \$4,805,000 Special Levy Revenue Bonds, Series 2008 (Bonds) on May 20, 2008. Under the Indenture dated as of May 1, 2008, the Bonds are payable from revenues received by the District in each fiscal year from the payment of the Special Levy, authorized pursuant to the Act to be levied against parcels of land within the District in accordance with the Rate and Method of Apportionment of the Special Levy for the District approved by the City in the Formation Resolution and approved the District to Resolution No. 2008-1 adopted on March 12, 2008.

The outstanding debt at June 30, 2012, 2011 and 2010 amounted to \$4,690,000, \$4,750,000 and \$4,805,000, respectively.

**Requests for Information**

This narrative overview and analysis of the financial activities of the District for the fiscal years ending June 30, 2012, 2011 and 2010 is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Treasurer of the Saltillo Public Improvement District, Cilia Agliadoro, P.O. Box 17, Albuquerque, NM 87103.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENTS OF NET ASSETS  
June 30, 2012, 2011, and 2010**

	Governmental Activities		
	2012	2011	2010
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,068,112	1,034,019	1,004,012
Special levy receivable	2,467	920	2,596
Bond issuance costs	146,114	151,901	157,687
<b>Total assets</b>	<b>\$ 1,216,693</b>	<b>1,186,840</b>	<b>1,164,295</b>
<b>LIABILITIES</b>			
Accrued expenses	\$ 42,434	29,594	81,785
Advances from developers	-	20,419	-
Interest payable	89,404	90,548	91,595
Revenue bonds payable			
Due within one year	62,051	57,052	52,052
Due in more than one year	4,553,499	4,615,549	4,672,601
<b>Total liabilities</b>	<b>\$ 4,747,388</b>	<b>4,813,162</b>	<b>4,898,033</b>
<b>NET ASSETS</b>			
Unrestricted	\$ (3,530,695)	(3,626,322)	(3,733,738)

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Interest expense	\$ 367,492	(367,492)
General government	71,597	(71,597)
<b>Total expenses</b>	<u>\$ 439,089</u>	<u>(439,089)</u>
General Revenues		
Special levy		534,620
Interest income		96
<b>Total revenues</b>		<u>534,716</u>
Change in net assets		95,627
Net assets, beginning		<u>(3,626,322)</u>
<b>Net assets, ending</b>		<u><u>(3,530,695)</u></u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 12,977	(12,977)
Interest expense	371,971	(371,971)
General government	46,746	(46,746)
<b>Total expenses</b>	<u>\$ 431,694</u>	<u>(431,694)</u>
General Revenues		
Special levy		539,028
Interest income		82
<b>Total revenues</b>		<u>539,110</u>
Change in net assets		107,416
Net assets, beginning		<u>(3,733,738)</u>
<b>Net assets, ending</b>		<u>(3,626,322)</u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 716,728	(716,728)
Interest expense	375,116	(375,116)
General government	76,798	(76,798)
<b>Total expenses</b>	<u>\$ 1,168,642</u>	<u>(1,168,642)</u>
General Revenues		
Special levy		422,665
Interest income		119
<b>Total revenues</b>		<u>422,784</u>
Change in net assets		(745,858)
Net assets, beginning		<u>(2,987,880)</u>
<b>Net assets, ending</b>		<u><u>(3,733,738)</u></u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 461,080	184,374	1	422,657	1,068,112
Special levy receivable	2,467	-	-	-	2,467
<b>Total assets</b>	<b>\$ 463,547</b>	<b>184,374</b>	<b>1</b>	<b>422,657</b>	<b>1,070,579</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accrued expenses	\$ 42,434	-	-	-	42,434
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>42,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,434</b>
Fund Balances					
Restricted	-	184,374	1	422,657	607,032
Unassigned	421,113	-	-	-	421,113
<b>Total fund balances</b>	<b>421,113</b>	<b>184,374</b>	<b>1</b>	<b>422,657</b>	<b>1,028,145</b>
<b>Total liabilities and fund balances</b>	<b>\$ 463,547</b>	<b>184,374</b>	<b>1</b>	<b>422,657</b>	<b>1,070,579</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2011**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 424,213	187,104	89	422,613	1,034,019
Special levy receivable	920	-	-	-	920
<b>Total assets</b>	<b>\$ 425,133</b>	<b>187,104</b>	<b>89</b>	<b>422,613</b>	<b>1,034,939</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accrued expenses	\$ 29,594	-	-	-	29,594
Advances from developers	20,419	-	-	-	20,419
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>50,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,013</b>
Fund Balances					
Restricted	-	187,104	89	422,613	609,806
Unassigned	375,120	-	-	-	375,120
<b>Total fund balances</b>	<b>375,120</b>	<b>187,104</b>	<b>89</b>	<b>422,613</b>	<b>984,926</b>
<b>Total liabilities and fund balances</b>	<b>\$ 425,133</b>	<b>187,104</b>	<b>89</b>	<b>422,613</b>	<b>1,034,939</b>

See Notes to Financial Statements.



**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 281,034	245,320	55,045	422,613	1,004,012
Special levy receivable	2,596	-	-	-	2,596
<b>Total assets</b>	<b>\$ 283,630</b>	<b>245,320</b>	<b>55,045</b>	<b>422,613</b>	<b>1,006,608</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accrued expenses	\$ 39,276	42,509	-	-	81,785
Deferred revenue	1,675	-	-	-	1,675
<b>Total liabilities</b>	<b>40,951</b>	<b>42,509</b>	<b>-</b>	<b>-</b>	<b>83,460</b>
Fund Balances					
Restricted	-	202,811	55,045	422,613	680,469
Unassigned	242,679	-	-	-	242,679
<b>Total fund balances</b>	<b>242,679</b>	<b>202,811</b>	<b>55,045</b>	<b>422,613</b>	<b>923,148</b>
<b>Total liabilities and fund balances</b>	<b>\$ 283,630</b>	<b>245,320</b>	<b>55,045</b>	<b>422,613</b>	<b>1,006,608</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEETS -  
GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF NET ASSETS  
Years Ended June 30, 2012, 2011 and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Reconciliation of the Governmental Fund Balances Sheets to the Statements of Net Assets:			
<b>Fund balances - total governmental funds</b>	<b>\$ 1,028,145</b>	<b>984,926</b>	<b>923,148</b>
Amounts reported for governmental activities in the Statements of Net Assets are different because:			
Bond issuance costs in the governmental activities are not financial resources and therefore, not reported in the governmental funds.	146,114	151,901	157,687
Long-term obligations for the revenue bonds are not due and payable in the current period, and therefore, not reported in the governmental funds.	(4,615,550)	(4,672,601)	(4,724,653)
Interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(89,404)	(90,548)	(91,595)
A portion of receivables reported in the Statement of Net Assets is not currently available in the funds.	-	-	1,675
<b>Net assets of governmental activities</b>	<b>\$ (3,530,695)</b>	<b>(3,626,322)</b>	<b>(3,733,738)</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2012**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>Revenues</b>					
Special levy	\$ 534,620	-	-	-	534,620
Interest income	31	20	1	44	96
<b>Total revenues</b>	<u>534,651</u>	<u>20</u>	<u>1</u>	<u>44</u>	<u>534,716</u>
<b>Expenditures</b>					
Public works - construction	-	-	-	-	-
General government	68,847	2,750	-	-	71,597
Debt service:					
Interest	-	-	359,900	-	359,900
Principal	-	-	60,000	-	60,000
<b>Total expenditures</b>	<u>68,847</u>	<u>2,750</u>	<u>419,900</u>	<u>-</u>	<u>491,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>465,804</u>	<u>(2,730)</u>	<u>(419,899)</u>	<u>44</u>	<u>43,219</u>
Other financing sources (uses)					
Transfer in	-	-	419,811	-	419,811
Transfer out	(419,811)	-	-	-	(419,811)
Total	<u>(419,811)</u>	<u>-</u>	<u>419,811</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	45,993	(2,730)	(88)	44	43,219
Fund balances, beginning	<u>375,120</u>	<u>187,104</u>	<u>89</u>	<u>422,613</u>	<u>984,926</u>
Fund balances, ending	<u>\$ 421,113</u>	<u>184,374</u>	<u>1</u>	<u>422,657</u>	<u>1,028,145</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>Revenues</b>					
Special levy	\$ 540,703	-	-	-	540,703
Interest income	17	20	3	42	82
<b>Total revenues</b>	<u>540,720</u>	<u>20</u>	<u>3</u>	<u>42</u>	<u>540,785</u>
<b>Expenditures</b>					
Public works - construction	-	12,977	-	-	12,977
General government	43,996	2,750	-	-	46,746
Debt service:					
Interest	-	-	364,284	-	364,284
Principal	-	-	55,000	-	55,000
<b>Total expenditures</b>	<u>43,996</u>	<u>15,727</u>	<u>419,284</u>	<u>-</u>	<u>479,007</u>
Excess (deficiency) of revenues over (under) expenditures	<u>496,724</u>	<u>(15,707)</u>	<u>(419,281)</u>	<u>42</u>	<u>61,778</u>
Other financing sources (uses)					
Transfer in	-	-	364,325	-	364,325
Transfer out	(364,283)	-	-	(42)	(364,325)
Total	<u>(364,283)</u>	<u>-</u>	<u>364,325</u>	<u>(42)</u>	<u>-</u>
<b>Net change in fund balances</b>	132,441	(15,707)	(54,956)	-	61,778
Fund balances, beginning	<u>242,679</u>	<u>202,811</u>	<u>55,045</u>	<u>422,613</u>	<u>923,148</u>
Fund balances, ending	<u>\$ 375,120</u>	<u>187,104</u>	<u>89</u>	<u>422,613</u>	<u>984,926</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended June 30, 2010**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
<b>Revenues</b>					
Special levy	\$ 424,603	-	-	-	424,603
Interest income	4	54	18	43	119
<b>Total revenues</b>	<u>424,607</u>	<u>54</u>	<u>18</u>	<u>43</u>	<u>424,722</u>
<b>Expenditures</b>					
Public works - construction	-	716,728	-	-	716,728
General government	76,798	-	-	-	76,798
Debt service:					
Interest	-	-	366,381	-	366,381
Principal	-	-	-	-	-
<b>Total expenditures</b>	<u>76,798</u>	<u>716,728</u>	<u>366,381</u>	<u>-</u>	<u>1,159,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>347,809</u>	<u>(716,674)</u>	<u>(366,363)</u>	<u>43</u>	<u>(735,185)</u>
Other financing sources (uses)					
Transfer in	-	-	107,070	-	107,070
Transfer out	(107,027)	-	-	(43)	(107,070)
Total	<u>(107,027)</u>	<u>-</u>	<u>107,070</u>	<u>(43)</u>	<u>-</u>
<b>Net change in fund balances</b>	240,782	(716,674)	(259,293)	-	(735,185)
Fund balances, beginning	<u>1,897</u>	<u>919,485</u>	<u>314,338</u>	<u>422,613</u>	<u>1,658,333</u>
Fund balances, ending	<u>\$ 242,679</u>	<u>202,811</u>	<u>55,045</u>	<u>422,613</u>	<u>923,148</u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2012, 2011, and 2010**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Net Assets:			
<b>Net change in fund balances - total governmental funds</b>	\$ 43,219	61,778	(735,185)
Amounts reported for governmental activities in the Statements of Activities are different because:			
Governmental funds report the effect of issuance costs and discounts when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(8,735)	(8,735)	(8,735)
Governmental funds report interest expense when the amount is paid, whereas the Statement of Activities reports interest on an accrual basis.	1,143	1,048	-
The repayment of long-term debt consumes current financial resources of the governmental funds. This has no effect on the net assets in the Statement of Activities.	60,000	55,000	-
Special levy is recognized in fund financials when available to the funds, whereas the Statement of Activities reports revenue when assessments are levied.	-	(1,675)	(1,938)
<b>Change in net assets of governmental activities</b>	<u>\$ 95,627</u>	<u>107,416</u>	<u>(745,858)</u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)  
 Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ 534,620	534,620	534,620	-
Dividend income	-	-	31	31
<b>Total Revenues</b>	<b>534,620</b>	<b>534,620</b>	<b>534,651</b>	<b>31</b>
<b>Expenditures</b>				
Current:				
General government	109,257	109,257	68,847	40,410
<b>Total Expenditures</b>	<b>109,257</b>	<b>109,257</b>	<b>68,847</b>	<b>40,410</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	(419,811)	(419,811)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(419,811)</b>	<b>(419,811)</b>
<b>Net Change in Fund Balances</b>	<b>425,363</b>	<b>425,363</b>	<b>45,993</b>	<b>(379,370)</b>
Fund Balances, beginning of year	375,120	375,120	375,120	-
<b>Fund Balances, end of year</b>	<b>\$ 800,483</b>	<b>800,483</b>	<b>421,113</b>	<b>(379,370)</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)  
 Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ 539,028	539,028	540,703	1,675
Interest income	-	-	17	17
<b>Total Revenues</b>	<u>539,028</u>	<u>539,028</u>	<u>540,720</u>	<u>1,692</u>
<b>Expenditures</b>				
Current:				
General government	99,661	99,661	43,996	55,665
<b>Total Expenditures</b>	<u>99,661</u>	<u>99,661</u>	<u>43,996</u>	<u>55,665</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	(364,283)	(364,283)
<b>Total</b>	<u>-</u>	<u>-</u>	<u>(364,283)</u>	<u>(364,283)</u>
<b>Net Change in Fund Balances</b>	439,367	439,367	132,441	(306,926)
Fund Balances, beginning of year	242,679	242,679	242,679	-
<b>Fund Balances, end of year</b>	<u>\$ 682,046</u>	<u>682,046</u>	<u>375,120</u>	<u>(306,926)</u>

*See Notes to Financial Statements.*



**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)  
 Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ 422,665	422,665	424,603	1,938
Interest income	-	-	4	4
<b>Total Revenues</b>	<b>422,665</b>	<b>422,665</b>	<b>424,607</b>	<b>1,942</b>
<b>Expenditures</b>				
Current:				
General government	132,520	132,520	76,798	55,722
<b>Total Expenditures</b>	<b>132,520</b>	<b>132,520</b>	<b>76,798</b>	<b>55,722</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	(107,027)	(107,027)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(107,027)</b>	<b>(107,027)</b>
<b>Net Change in Fund Balances</b>	<b>290,145</b>	<b>290,145</b>	<b>240,782</b>	<b>(49,363)</b>
Fund Balances, beginning of year	1,897	1,897	1,897	-
<b>Fund Balances, end of year</b>	<b>\$ 292,042</b>	<b>292,042</b>	<b>242,679</b>	<b>(49,363)</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

**NOTE 1. REPORTING ENTITY**

Saltillo Public Improvement District (District) is a political subdivision of State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, City of Albuquerque (City) Enactment No. 0-2003-12 and City Resolution Enactment No. R-2007-150 adopted on November 19, 2007.

The District was created to fund the infrastructure project, comprising of road construction and storm sewer improvements. The District consists of approximately 138 acres of property located in the City with a Special Levy on all of the 652 single family residential lots.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The District is not a component of any other governmental entity and the District has no subordinate component units.

The District is governed by the District Board, consisting of six directors. The District Board has control over and management supervision of all affairs of the District. Two of the initially appointed directors of the District served four-year terms, two of the other directors served six-year terms. Upon the expiration of the initial terms of these directors, these four directors serve six-year terms. The remaining director is the Secretary of the Department of Finance and Administration, or her designee. Officers not appointed pursuant to the Formation Resolution may be elected by the Directors.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

**Basis of Presentation**

Government-Wide Statements

The Statement of Net Assets and Statement of Activities present financial information about reporting government as a whole. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. District activities generally are financed through special levy.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the District governmental activities. Direct expenses are those that are specifically associated with and clearly identifiable to a particular function. Direct revenues include special levy on property covered by the District, interest income and dividend income from the investment of funds.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

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

**Basis of Presentation (Continued)**

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category.
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Governmental Fund

The District reports the following major governmental funds:

- a. General Fund – is the District’s primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

Capital Project Fund:

- b. Project Fund – used to account for financial resources to be used for the construction of the improvement project.

Debt Service Funds:

- c. Bond Fund – used to account for the payment of principal and interest related to the bonds obligation.
- d. Reserve Fund –accounts for funds to be used in accordance with the bond indenture in situations whereby the bond fund does not have sufficient funds to pay for debt service payments.

**Measurement Focus and Basis of Accounting**

The Government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. On an accrual basis, revenue from special levy is recognized in the fiscal year during which the taxes are earned.

The governmental fund statements are reported using the current resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the bond obligations, which are recognized as expenditures when paid. Proceeds from the issuance of bond obligations are reported as other financing sources.

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

**Cash Equivalents**

The District considers all highly liquid debt instruments with original maturity of three months or less when purchased to be cash equivalents.

**Receivables**

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2012, 2011 and 2010 an allowance for uncollectible accounts was not considered necessary as all accounts are considered collectible.

**Capital Assets**

As capital assets are constructed, the ownership will be transferred to the City. As a result, the District does not capitalize any capital assets on its financial statements.

**Long-Term Obligations**

In the Government-wide financial statements, long-term debts are reported as liabilities. Long-term obligations of the governmental funds payable from the general revenues of the District are reported in the District-wide financial statements. Payments of principal and interest are reported as expenditures in the fund financial statements.

Bond discount, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the bonds.

In the governmental fund financial statements, bond discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Special Levy**

The District imposes a Special Levy, which secures the payment of the debt service on the District's Revenue Bonds Obligation.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

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

The Special Levy is to be billed and collected by Bernalillo County in the same manner and at the same time as general ad valorem property taxes. Assessments are made as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The Special Levy installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11. The Special Levy shall be subject to foreclosure by the District at any time after six months following written notice of delinquency to the owner of the real property to which the delinquency applies. The lien shall include delinquencies, penalties and interest thereon at a rate not to exceed the maximum legal rate of interest per year and penalties otherwise applicable.

**Transfers**

Transfers in from (out to) other governmental funds are recorded as other financing sources (uses).

**Fund Balance**

As of June 30, 2012, 2011 and 2010, the fund balances of governmental funds are classified as follows:

Restricted – amounts to be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned – all other spendable amounts.

The District has no fund balances that are classified as nonspendable, committed or assigned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

**Budgets**

The budget is adopted on a modified accrual basis of accounting. The legal compliance for the budget is total expenditures.

**NOTE 3. DEPOSITS**

The District is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

**NOTE 3. DEPOSITS (CONTINUED)**

All money not immediately necessary for the public uses of the District may be invested in bonds or negotiable securities of the United States, the state or any county, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities. If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978. The District has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

Cash held by the District include cash on deposit with a financial institution. Deposits are secured by Federal depository insurance and U.S. Treasuries. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% (102% for overnight deposits) of the uninsured balance. Market values of all cash and deposits approximate the cost of those assets.

Cash equivalents represent investments in mutual funds, consisting of treasury bonds with maturities of less than 30 days. Cash and cash equivalents at June 30 consist of the following:

	2012	2011	2010
Held in trust by Wells Fargo in U.S. Treasury Fund	<u>\$ 1,068,112</u>	<u>1,034,019</u>	<u>1,004,012</u>

**NOTE 4. REVENUE BONDS**

On May 20, 2008, the District issued its Special Levy Revenue Bond, Series 2008 with total par value of \$4,805,000 for \$4,718,510 at a discount of \$86,490. The proceeds from issuance were primarily used in the construction of the infrastructure project. The bonds are generally callable with interest payable semi-annually, every April 1 and October 1. The obligations are secured by the pledge of net revenues of the District Special Levy.

The Bond Indenture contains special mandatory and optional redemption. The special mandatory redemption, which started on October 1, 2008, triggers when: (a) on or after the completion of the project, funds are transferred from the Project Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Special Levy by the owner of the Property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund. The optional redemption is available starting October 1, 2017. No events occurred that triggered special mandatory redemption.

The Indenture also contains maintenance of Reserve Fund Requirements equal to the least of (i) the maximum annual debt service requirements on all outstanding bonds; (ii) 125% of the average annual debt service requirements of the bonds; or (iii) 10% of the aggregate principal amount of the Bonds. The District is in compliance with this requirement at June 30, 2012, 2011 and 2010.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

**NOTE 4. REVENUE BONDS (CONTINUED)**

The Revenue Bonds bear annual interest of 7.625%, with final maturity on October 1, 2037. The amount payable in the Statement of Net Assets is net of unamortized bond discount of \$74,450, \$77,399 and \$80,347 at June 30, 2012, 2011 and 2010, respectively.

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	65,000	355,134	420,134
2014	65,000	350,178	415,178
2015	70,000	345,031	415,031
2016	80,000	339,313	419,313
2017	85,000	333,022	418,022
2018 – 2022	520,000	1,555,500	2,075,500
2023 – 2027	755,000	1,315,122	2,070,122
2028 – 2032	1,085,000	968,566	2,053,566
2033 – 2037	1,575,000	466,840	2,041,840
2038	390,000	14,869	404,869
	<u>\$ 4,690,000</u>	<u>6,043,575</u>	<u>10,733,575</u>

Interest payment and principal payments of the revenue bonds are serviced by revenues generated from the Special Levy and are paid from the Bond Fund.

**NOTE 5. DEFICIT NET ASSETS**

The total net assets balance is in a deficit position. This is due to the fact that the capital assets acquired with bond proceeds were transferred to another governmental agency. This resulted in the recognition of long-term debt with no related asset on the District's financial statement. The long-term debt will be repaid with future special levy taxes. The resulting deficit net assets as of June 30 are as follows:

2012	\$ (3,530,695)
2011	(3,626,322)
2010	(3,733,738)

**NOTE 6. ARBITRAGE**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on the revenue bonds and at June 30, 2012, 2011 and 2010 does not expect to incur a liability.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012, 2011 AND 2010**

**NOTE 7. INTERFUND TRANSFERS**

For the years ended June 30, 2012, 2011 and 2010 the District transfers were made to fund debt service payments and administrative expenses. The following transfers were made for the years ended June 30:

2012:

	<u>Transfer In</u> Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 419,811
Reserve Fund	-
	<u>\$ 419,811</u>

2011:

	<u>Transfer In</u> Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 364,283
Reserve Fund	42
	<u>\$ 364,325</u>

2010:

	<u>Transfer In</u> Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 107,027
Reserve Fund	43
	<u>\$ 107,070</u>

**NOTE 8. BUDGET VIOLATIONS**

In violation of New Mexico state statutes, the District overspent the budget for the Project Fund for the years ended June 30, 2011 and 2010:

	<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
2011:				
Project Fund	\$	-	12,977	(12,977)
2010:				
Project Fund	\$	-	716,728	(716,728)



**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)  
 Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ -	-	-	-
Dividend income	-	-	20	20
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>Expenditures</b>				
Public works - construction	-	-	-	-
General government	2,750	2,750	2,750	-
<b>Total Expenditures</b>	<b>2,750</b>	<b>2,750</b>	<b>2,750</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,750)</b>	<b>(2,750)</b>	<b>(2,730)</b>	<b>20</b>
Fund Balances, beginning of year	187,104	187,104	187,104	-
<b>Fund Balances, end of year</b>	<b>\$ 184,354</b>	<b>184,354</b>	<b>184,374</b>	<b>20</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
BUDGET TO ACTUAL SCHEDULE (BOND FUND)  
Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	1	1
Dividend income	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Expenditures</b>				
Debt Service:				
Interest	359,900	359,900	359,900	-
Principal	65,000	65,000	60,000	(5,000)
<b>Total Expenditures</b>	<b>424,900</b>	<b>424,900</b>	<b>419,900</b>	<b>5,000</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	419,811	419,811
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>419,811</b>	<b>419,811</b>
<b>Net Change in Fund Balances</b>	<b>(424,900)</b>	<b>(424,900)</b>	<b>(88)</b>	<b>424,812</b>
Fund Balances, beginning of year	89	89	89	-
<b>Fund Balances, end of year</b>	<b>\$ (424,811)</b>	<b>(424,811)</b>	<b>1</b>	<b>424,812</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)  
 Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	44	44
Dividend income	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>44</b>
<b>Other Financing Sources (Uses)</b>				
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>44</b>
Fund Balances, beginning of year	89	89	422,613	422,524
<b>Fund Balances, end of year</b>	<b>\$ 89</b>	<b>89</b>	<b>422,657</b>	<b>422,568</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)  
 Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ -	-	-	-
Dividend income	-	-	20	20
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>
<b>Expenditures</b>				
Public works - construction	-	-	12,977	(12,977)
General government	2,750	2,750	2,750	-
<b>Total Expenditures</b>	<b>2,750</b>	<b>2,750</b>	<b>15,727</b>	<b>(12,977)</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,750)</b>	<b>(2,750)</b>	<b>(15,707)</b>	<b>(12,957)</b>
Fund Balances, beginning of year	202,811	202,811	202,811	-
<b>Fund Balances, end of year</b>	<b>\$ 200,061</b>	<b>200,061</b>	<b>187,104</b>	<b>(12,957)</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)  
 Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	3	3
Dividend income	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
<b>Expenditures</b>				
Debt Service:				
Interest	364,284	364,284	364,284	-
Principal	60,000	60,000	55,000	5,000
<b>Total Expenditures</b>	<b>424,284</b>	<b>424,284</b>	<b>419,284</b>	<b>5,000</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	364,325	364,325
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>364,325</b>	<b>364,325</b>
<b>Net Change in Fund Balances</b>	<b>(424,284)</b>	<b>(424,284)</b>	<b>(54,956)</b>	<b>369,328</b>
Fund Balances, beginning of year	55,045	55,045	55,045	-
<b>Fund Balances, end of year</b>	<b>\$ (369,239)</b>	<b>(369,239)</b>	<b>89</b>	<b>369,328</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)  
 Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	42	42
Dividend income	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>42</u>	<u>42</u>
<b>Other Financing Sources (Uses)</b>				
Transfer out	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	-	42
Fund Balances, beginning of year	<u>422,613</u>	<u>422,613</u>	<u>422,613</u>	-
<b>Fund Balances, end of year</b>	<u>\$ 422,613</u>	<u>422,613</u>	<u>422,613</u>	<u>42</u>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)  
 Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special levy	\$ -	-	-	-
Interest income	-	-	54	54
Dividend income	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>54</b>	<b>54</b>
<b>Expenditures</b>				
Public works - construction	-	-	716,728	(716,728)
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>716,728</b>	<b>(716,728)</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(716,674)</b>	<b>(716,674)</b>
Fund Balances, beginning of year	919,485	919,485	919,485	-
<b>Fund Balances, end of year</b>	<b>\$ 919,485</b>	<b>919,485</b>	<b>202,811</b>	<b>(716,674)</b>

*See Notes to Financial Statements.*

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)  
 Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	18	18
Dividend income	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>18</b>
<b>Expenditures</b>				
Debt Service:				
Interest	366,812	366,812	366,381	431
Principal	55,000	55,000	-	55,000
<b>Total Expenditures</b>	<b>421,812</b>	<b>421,812</b>	<b>366,381</b>	<b>55,431</b>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	107,070	107,070
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>107,070</b>	<b>107,070</b>
<b>Net Change in Fund Balances</b>	<b>(421,812)</b>	<b>(421,812)</b>	<b>(259,293)</b>	<b>162,519</b>
Fund Balances, beginning of year	314,338	314,338	314,338	-
<b>Fund Balances, end of year</b>	<b>\$ (107,474)</b>	<b>(107,474)</b>	<b>55,045</b>	<b>162,519</b>

*See Notes to Financial Statements.*



**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)  
 Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$ -	-	43	43
Dividend income	-	-	-	-
<b>Total Revenues</b>	-	-	43	43
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	(43)	(43)
<b>Total</b>	-	-	(43)	(43)
<b>Net Change in Fund Balances</b>	-	-	-	-
Fund Balances, beginning of year	422,613	422,613	422,613	-
<b>Fund Balances, end of year</b>	\$ 422,613	422,613	422,613	-

*See Notes to Financial Statements.*

**REPORT OF INDEPENDENT AUDITORS 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***

To the Board of Directors  
 Saltillo Public Improvement District  
 and  
 Mr. Hector Balderas  
 New Mexico State Auditor  
 Santa Fe, New Mexico

We have audited the financial statements of the governmental activities and each major fund and the budgetary comparison of the general fund of Saltillo Public Improvement District (the "District") as of and for the years ended June 30, 2012, 2011 and 2010 and have issued our report thereon dated August 15, 2014. We have also audited the budgetary comparisons for the capital project fund and major debt service funds presented as supplementary information in the fund statements for the years ended June 30, 2012, 2011 and 2010, as listed in the table of contents.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we

To the Board of Directors  
Saltillo Public Improvement District  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

identified certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as item 08-01. 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.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 12-01 and 09-01.

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

This report is intended solely for the information and use of management, others within the District, the Commissioners, the State Auditor, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
August 15, 2014

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

**08-01: No General Ledger Maintained (Significant Deficiency)**

CONDITION

The District did not maintain a general ledger for the years ended June 30, 2012, 2011 and 2010.

CRITERIA

State Audit Rule 2.2.2.10 I, Section 12-6-5, NMSA 1978 states that any violation of good accounting practices be included in the annual audit report.

EFFECT

There is an increased risk of misstatements and/or budget overages occurring and not being detected and corrected in a timely manner.

CAUSE

The District has minimal transaction activity and uses the monthly trust statements from the Trustee to track transactions.

RECOMMENDATION

We recommend that the District implement a basic general ledger software package as soon as it is practical.

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation. The Board has hired a financial consultant in 2014 to prepare general ledger as well as to monitor budget every quarter.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

**12-01: Late Audit Report, Compliance and Other Matters**

CONDITION

The audit reports for the years ending June 30, 2012, 2011 and 2010 were not submitted by the deadline of December 1 for each fiscal year. These reports were submitted to the State Auditor's Office in August 2014.

CRITERIA

2.2.2 NMAC, Audit Rule 2012, specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(e) stipulates that District reports are due no later than December 1. Further, Section 2.2.2.9 A (2) requires that submission of a late audit report shall be reported as current year audit finding in the audit report.

CAUSE

There were delays in getting the signed audit contract. As such, submission for the years under audit were affected.

EFFECT

The District is not in compliance with Section 2.2.2.9 A (1)(e) of the NMAC, Audit Rule 2012.

RECOMMENDATION

Management should continue to work towards providing the timely completion of the audit report.

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation and has instructed the Treasurer to work together with the external auditor and trustee to ensure that audits are submitted to the State's Auditor by the due date or in a timely manner.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

**09-01: Budget, Compliance and Other Matters**

CONDITION

For the years ended June 30, 2011 and 2010, the budget for the Construction Fund was overspent by \$12,977 and \$716,674, respectively.

CRITERIA

According to NMSA 6-3-1 to 6-3-25, expenditures are to be within the budgeted amounts.

CAUSE

Budgets for capital outlay expenditures in the Construction Fund were not established as the District was not familiar with statutory budget requirements.

EFFECT

The District is not in compliance with the requirements of NMSA 6-3-1 to 6-3-25 and there is increased risk that unauthorized transactions could occur.

RECOMMENDATION

Overspending of the budget should not occur. We recommend that all budget adjustments be approved prior to spending and budget to actual reviews be made on a timely basis.

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation and will include annual amounts for capital outlay expenditures in future budgets. The Board does include budget line items for capital outlay expenditures for the entire project in both the preliminary and final budget that is submitted to the State of New Mexico Local Government Division.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
SCHEDULE OF PRIOR YEAR'S FINDINGS  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

08-01 No General Ledger Maintained  
09-01 Budget Overspending

Updated and repeated as 08-01  
Updated and repeated as 09-01

**SALTILLO PUBLIC IMPROVEMENT DISTRICT  
EXIT CONFERENCE  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010**

An exit conference was held on July 30, 2014. Attending were the following:

Representing Saltillo Public Improvement District:

Jon Zaman, Chairman  
Cilia Agliodoro, Treasurer  
Michael Riordan, Member  
Jill Sweeney, Sherwan & Howard LLC  
Dee Brescia, Brescia Consulting

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

The financial statements were prepared with the assistance of Moss Adams LLP.