



SALTILLO PUBLIC IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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SALTILLO PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2014**

Board of Directors

Vincent Pizzonia	Chairman
Cilia Aglialoro	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

Report on the Financial Statements

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, 2014 and 2013, and the related notes to the financial statements 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, as defined by Governmental Accounting Standards Board, in the accompanying fund individual fund financial statements as of and for the year ended June 30, 2014 and 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

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, 2014 and 2013, 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, 2014 and 2013 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 25, 2014

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2014 AND 2013**

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, 2014 and 2013. 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 2014 and 2013 as follows:

- In the Statements of Net Position, the District's total net position as of June 30, 2014 and 2013 amounted to negative \$3,620,659 and \$3,718,295, respectively.
- In the Statements of Activities, the special levy revenue amounted to:
 - June 30, 2014 – \$ 516,388
 - June 30, 2013 – \$ 539,028
- In the Statements of Activities, the District incurred \$418,843 and \$580,608 in debt service payments, construction and general government expenses for years ended June 30, 2014 and 2013, 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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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, 2014 AND 2013**

The statement of activities presents information showing how the District's net position changed during the fiscal years reported. All changes in net position 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 13 and 16, 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 19 of these financial statements.

Government-wide Financial Analysis

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

- \$3,620,659 as of June 30, 2014
- \$3,718,295 as of June 30, 2013

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2014 AND 2013**

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

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 1,071,926	\$ 1,109,337
Total Assets	<u>1,071,926</u>	<u>1,109,337</u>
Current Liabilities	201,138	274,134
Long-term Obligations		
Outstanding	<u>4,491,447</u>	<u>4,553,498</u>
Total Liabilities	<u>4,692,585</u>	<u>4,827,632</u>
Net Position – Unrestricted (deficit)	\$ <u>(3,620,659)</u>	\$ <u>(3,718,295)</u>

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

- Administrative expenditures amounted to \$66,955 and \$110,213 for the years ended June 30, 2014 and 2013, respectively.
- Construction expenditures amounted to \$113,553 for the year ended June 30, 2013.
- Interest expense amounted to \$351,888 and \$356,842 for the years ended June 30, 2014 and 2013, respectively.
- Special levy revenue amounted to \$516,388 and \$539,028 for the years ended June 30, 2014 and 2013, respectively.

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

	<u>2014</u>	<u>2013</u>
Expenses		
Public works – construction	\$ -	\$ (113,553)
Interest	(351,888)	(356,842)
General government	(66,955)	(110,213)
Total Expenses	<u>(418,843)</u>	<u>(580,608)</u>
General Revenues		
Special levy	516,388	539,028
Interest	91	94
Total Revenues	<u>516,479</u>	<u>539,122</u>
Change in net position	\$ <u>97,636</u>	\$ <u>(41,486)</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds for the years ended June 30, 2014 and 2013 amounted to \$516,479 and \$539,122, 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, 2014 AND 2013**

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 2014 and 2013.

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, 2014 and 2013 amounted to \$4,560,000 and \$4,625,000, respectively.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal years ending June 30, 2014 and 2013 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 Agliodoro, P.O. Box 17, Albuquerque, NM 87103.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
June 30, 2014 and 2013**

	<u>Governmental Activities</u>	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,069,978	1,108,988
Special levy receivable	1,948	349
Total assets	<u>\$ 1,071,926</u>	<u>1,109,337</u>
LIABILITIES		
Accrued expenses	\$ 114,213	185,970
Interest payable	86,925	88,164
Revenue bonds payable		
Due within one year	67,052	62,052
Due in more than one year	4,424,395	4,491,446
Total liabilities	<u>\$ 4,692,585</u>	<u>4,827,632</u>
NET POSITION		
Unrestricted	<u>\$ (3,620,659)</u>	<u>(3,718,295)</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ -	-
Interest expense	351,888	(351,888)
General government	66,955	(66,955)
Total expenses	<u>\$ 418,843</u>	<u>(418,843)</u>
General Revenues		
Special levy		516,388
Interest income		91
Total revenues		<u>516,479</u>
Change in net position		97,636
Net position, beginning		<u>(3,718,295)</u>
Net position, ending		<u>\$ (3,620,659)</u>

See Notes to Financial Statements.

SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 113,553	(113,553)
Interest expense	356,842	(356,842)
General government	110,213	(110,213)
Total expenses	<u>\$ 580,608</u>	<u>(580,608)</u>
General Revenues		
Special levy		539,028
Interest income		94
Total revenues		<u>539,122</u>
Change in net position		(41,486)
Net position, beginning, as previously reported		(3,530,695)
Effect of adoption of GASB 65 (Note 8)		<u>(146,114)</u>
Net position, beginning, as restated		(3,676,809)
Net position, ending		<u>\$ (3,718,295)</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 576,433	70,848	86	422,611	1,069,978
Special levy receivable	1,948	-	-	-	1,948
Total assets	\$ 578,381	70,848	86	422,611	1,071,926
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 114,213	-	-	-	114,213
Total liabilities	114,213	-	-	-	114,213
Fund Balances					
Restricted	-	70,848	86	422,611	493,545
Unassigned	464,168	-	-	-	464,168
Total fund balances	464,168	70,848	86	422,611	957,713
Total liabilities and fund balances	\$ 578,381	70,848	86	422,611	1,071,926

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 501,943	184,392	2	422,651	1,108,988
Special levy receivable	349	-	-	-	349
Total assets	<u>\$ 502,292</u>	<u>184,392</u>	<u>2</u>	<u>422,651</u>	<u>1,109,337</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 72,417	113,553	-	-	185,970
Total liabilities	<u>72,417</u>	<u>113,553</u>	<u>-</u>	<u>-</u>	<u>185,970</u>
Fund Balances					
Restricted	-	70,839	2	422,651	493,492
Unassigned	429,875	-	-	-	429,875
Total fund balances	<u>429,875</u>	<u>70,839</u>	<u>2</u>	<u>422,651</u>	<u>923,367</u>
Total liabilities and fund balances	<u>\$ 502,292</u>	<u>184,392</u>	<u>2</u>	<u>422,651</u>	<u>1,109,337</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEETS -
GOVERNMENTAL FUNDS TO THE
STATEMENTS OF NET POSITION
Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of the Governmental Fund Balances Sheets to the Statements of Net Position:		
Fund balances - total governmental funds	\$ 957,713	923,367
Amounts reported for governmental activities in the Statements of Net Position are different because:		
Long-term obligations for the revenue bonds are not due and payable in the current period, and therefore, not reported in the governmental funds.	(4,491,447)	(4,553,498)
Interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(86,925)	(88,164)
Net position of governmental activities	<u>\$ (3,620,659)</u>	<u>(3,718,295)</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, 2014

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 516,388	-	-	-	516,388
Interest income	39	9	1	42	91
Total revenues	<u>516,427</u>	<u>9</u>	<u>1</u>	<u>42</u>	<u>516,479</u>
Expenditures					
Public works - construction	-	-	-	-	-
General government	66,955	-	-	-	66,955
Debt service:					
Interest	-	-	350,178	-	350,178
Principal	-	-	65,000	-	65,000
Total expenditures	<u>66,955</u>	<u>-</u>	<u>415,178</u>	<u>-</u>	<u>482,133</u>
Excess (deficiency) of revenues over (under) expenditures	<u>449,472</u>	<u>9</u>	<u>(415,177)</u>	<u>42</u>	<u>34,346</u>
Other financing sources (uses)					
Transfer in	-	-	415,261	-	415,261
Transfer out	(415,179)	-	-	(82)	(415,261)
Total	<u>(415,179)</u>	<u>-</u>	<u>415,261</u>	<u>(82)</u>	<u>-</u>
Net change in fund balances	34,293	9	84	(40)	34,346
Fund balances, beginning	<u>429,875</u>	<u>70,839</u>	<u>2</u>	<u>422,651</u>	<u>923,367</u>
Fund balances, ending	<u>\$ 464,168</u>	<u>70,848</u>	<u>86</u>	<u>422,611</u>	<u>957,713</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, 2013**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 539,028	-	-	-	539,028
Interest income	33	18	1	42	94
Total revenues	539,061	18	1	42	539,122
Expenditures					
Public works - construction	-	113,553	-	-	113,553
General government	110,213	-	-	-	110,213
Debt service:					
Interest	-	-	355,134	-	355,134
Principal	-	-	65,000	-	65,000
Total expenditures	110,213	113,553	420,134	-	643,900
Excess (deficiency) of revenues over (under) expenditures	428,848	(113,535)	(420,133)	42	(104,778)
Other financing sources (uses)					
Transfer in	-	-	420,134	-	420,134
Transfer out	(420,086)	-	-	(48)	(420,134)
Total	(420,086)	-	420,134	(48)	-
Net change in fund balances	8,762	(113,535)	1	(6)	(104,778)
Fund balances, beginning (as restated)	421,113	184,374	1	422,657	1,028,145
Fund balances, ending	\$ 429,875	70,839	2	422,651	923,367

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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Net Position:		
Net change in fund balances - total governmental funds	\$ 34,346	(104,778)
Amounts reported for governmental activities in the Statements of Activities are different because:		
Governmental funds report interest expense when the amount is paid, whereas the Statement of Activities reports interest on an accrual basis.	(1,710)	(1,708)
The repayment of long-term debt consumes current financial resources of the governmental funds. This has no effect on the net position in the Statement of Activities.	<u>65,000</u>	<u>65,000</u>
Change in net position of governmental activities	<u>\$ 97,636</u>	<u>(41,486)</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy	\$ 516,388	516,388	516,388	-
Interest income	-	-	39	39
Total Revenues	516,388	516,388	516,427	39
Expenditures				
Current:				
General government	84,908	84,908	66,955	17,953
Total Expenditures	84,908	84,908	66,955	17,953
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(415,179)	(415,179)
Total	-	-	(415,179)	(415,179)
Net Change in Fund Balances	431,480	431,480	34,293	(397,187)
Fund Balances, beginning of year	429,875	429,875	429,875	-
Fund Balances, end of year	\$ 861,355	861,355	464,168	(397,187)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ 539,028	539,028	539,028	-
Interest income	-	-	33	33
Total Revenues	539,028	539,028	539,061	33
Expenditures				
Current:				
General government	110,591	110,591	110,213	378
Total Expenditures	110,591	110,591	110,213	378
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(420,086)	(420,086)
Total	-	-	(420,086)	(420,086)
Net Change in Fund Balances	428,437	428,437	8,762	(419,675)
Fund Balances, beginning of year	421,113	421,113	421,113	-
Fund Balances, end of year	\$ 849,550	849,550	429,875	(419,675)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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 Position 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, 2014 AND 2013**

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. Amount collected after the sixty-day period is recognized as deferred inflows of resources.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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, 2014 and 2013, 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, 2014 AND 2013**

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, 2014 and 2013, 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, 2014 AND 2013**

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:

	<u>2014</u>	<u>2013</u>
Held in trust by Wells Fargo in U.S. Treasury Fund	<u>\$ 1,069,978</u>	<u>1,108,988</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, 2014 and 2013.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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 Position is net of unamortized bond discount of \$68,553 and \$71,502 at June 30, 2014 and 2013, 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>
2015	\$ 70,000	345,031	415,031
2016	80,000	339,313	419,313
2017	85,000	333,022	418,022
2018	90,000	326,350	416,350
2019	95,000	319,297	414,297
2020 – 2024	605,000	1,469,909	2,074,909
2025 – 2029	870,000	1,191,406	2,061,406
2030 – 2034	1,260,000	789,950	2,049,950
2035 – 2038	1,405,000	223,984	1,628,984
	<u>\$ 4,560,000</u>	<u>5,338,262</u>	<u>9,898,062</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 POSITION

The total net position 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 position as of June 30 is as follows:

2014	\$ (3,620,659)
2013	(3,718,295)

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, 2014 and 2013 does not expect to incur a liability.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7. INTERFUND TRANSFERS

For the years ended June 30, 2014 and 2013, the District transfers were made to fund debt service payments and administrative expenses. The following transfers were made for the years ended June 30:

2014:

	<u>Transfer In</u> Bond Fund	
<u>Transfer Out</u>		
General Fund	\$	415,179
Reserve Fund		82
	<u>\$</u>	<u>415,261</u>

2013:

	<u>Transfer In</u> Bond Fund	
<u>Transfer Out</u>		
General Fund	\$	420,086
Reserve Fund		48
	<u>\$</u>	<u>420,134</u>

NOTE 8. ACCOUNTING CHANGE

The accompanying financial statements reflect the implementation of GASB Statements Nos. 63 and 65. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources, as appropriate. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that debt issuance costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of beginning net position as set forth below:

	<u>Governmental Activities</u>
Net position/(deficit) at beginning of year, as previously reported	\$(3,530,695)
Adjustment to recognize debt issuance costs as an expense of prior periods	<u>(146,114)</u>
Net position/(deficit) at beginning of year, as restated	<u>\$(3,676,809)</u>

NOTE 9. BUDGET VIOLATION

In violation of the New Mexico state statutes, the District overspent the budget for the Project Fund for the year ended June 30, 2013 by \$113,553.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ -	-	-	-
Dividend income	-	-	9	9
Total Revenues	-	-	9	9
Expenditures				
Public works - construction	-	-	-	-
General government	-	-	-	-
Total Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balances	-	-	9	9
Fund Balances, beginning of year	70,839	70,839	70,839	-
Fund Balances, end of year	\$ 70,839	70,839	70,848	9

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	1	1
Dividend income	-	-	-	-
Total Revenues	-	-	1	1
Expenditures				
Debt Service:				
Interest	350,178	350,178	350,178	-
Principal	65,000	65,000	65,000	-
Total Expenditures	415,178	415,178	415,178	-
Other Financing Sources (Uses)				
Transfer in	-	-	415,261	415,261
Transfer out	-	-	-	-
Total	-	-	415,261	415,261
Net Change in Fund Balances	(415,178)	(415,178)	84	415,262
Fund Balances, beginning of year	2	2	2	-
Fund Balances, end of year	\$ (415,176)	(415,176)	86	415,262

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	42	42
Dividend income	-	-	-	-
Total Revenues	-	-	42	42
Other Financing Sources (Uses)				
Transfer out	-	-	(82)	(82)
Total	-	-	(82)	(82)
Net Change in Fund Balances	-	-	(40)	(40)
Fund Balances, beginning of year	422,613	422,613	422,651	38
Fund Balances, end of year	\$ 422,613	422,613	422,611	(2)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)
 Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ -	-	-	-
Interest income	-	-	18	18
Dividend income	-	-	-	-
Total Revenues	-	-	18	18
Expenditures				
Public works - construction	-	-	113,553	(113,553)
Total Expenditures	-	-	113,553	(113,553)
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balances	-	-	(113,535)	(113,535)
Fund Balances, beginning of year	184,374	184,374	184,374	-
Fund Balances, end of year	\$ 184,374	184,374	70,839	(113,535)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	1	1
Dividend income	-	-	-	-
Total Revenues	-	-	1	1
Expenditures				
Debt Service:				
Interest	352,656	352,656	355,134	(2,478)
Principal	65,000	65,000	65,000	-
Total Expenditures	417,656	417,656	420,134	(2,478)
Other Financing Sources (Uses)				
Transfer in	-	-	420,134	420,134
Transfer out	-	-	-	-
Total	-	-	420,134	420,134
Net Change in Fund Balances	(417,656)	(417,656)	1	417,657
Fund Balances, beginning of year	1	1	1	-
Fund Balances, end of year	\$ (417,655)	(417,655)	2	417,657

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	42	42
Dividend income	-	-	-	-
Total Revenues	-	-	42	42
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(48)	(48)
Total	-	-	(48)	(48)
Net Change in Fund Balances	-	-	(6)	(6)
Fund Balances, beginning of year	422,657	422,657	422,657	-
Fund Balances, end of year	\$ 422,657	422,657	422,651	(6)

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparison for the general fund of the Saltillo Public Improvement District (the "District") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budgetary comparisons of the capital project and debt service funds, presented as supplementary information, and have issued our report thereon dated November 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 2009-001, 2012-001 and 2014-001.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were 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.

Mess Adams LLP

Albuquerque, New Mexico
November 25, 2014

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED JUNE 30, 2014 AND 2013**

2009-001: Budget, Compliance and Other Matters

CONDITION

The District overspent the budget for the Project Fund for the year ended June 30, 2013 by \$113,535.

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 FINDINGS AND RESPONSES (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013**

2012-001: Late Audit Report, Compliance and Other Matters

CONDITION

The audit report for the year ending June 30, 2013 was not submitted by the deadline of December 1, 2013. The report was submitted to the State Auditor's Office in November 2014.

CRITERIA

2.2.2 NMAC, Audit Rule 2013, 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.

EFFECT

The District is not in compliance with Section 2.2.2.9 A (1)(e) of the NMAC, Audit Rule 2013.

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, 2014 AND 2013**

2014-001: Late Submission of IPA Recommendation Form and Audit Contract, Compliance and Other Matters

CONDITION

The IPA Recommendation Form and Audit Contract for the fiscal years ending June 30, 2014 and 2013 were submitted to the State Auditor's Office in August 2014.

CRITERIA

2.2.2.8(G)(6)(c) NMAC Audit Rule 2014 requires that signed IPA Recommendation Form for Audits and the completed audit contract be submitted to the State Auditor's Office by May 15th of each year.

CAUSE

The District was not aware of the Audit Rule requirements in regard to the deadline for the submission of the forms.

EFFECT

The District is not in compliance with Section 2.2.2.8 (G)(6)(c) of the NMAC, Audit Rule 2014.

RECOMMENDATION

The District should continue to work towards providing the IPA Recommendation Form and Audit Contract on a timely basis in accordance with the due date set by NMAC Audit Rule.

MANAGEMENT'S RESPONSE

The late submission was due to the delay in issuing the prior years' audit reports. In the future, we will ensure that these forms are submitted to the State Auditor's Office before the deadline.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEARS ENDED JUNE 30, 2014 AND 2013**

08-01	No General Ledger Maintained	Resolved
12-01	Late Audit Report	Updated and repeated as 2012-001
09-01	Budget Overspending	Updated and repeated as 2009-001

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
YEARS ENDED JUNE 30, 2014 AND 2013**

An exit conference was held on November 25, 2014. Attending were the following:

Representing Saltillo Public Improvement District:

Cilia Agliodoro, Treasurer
Jill Sweeney, Sherwan & Howard LLC
Dee Brescia, Brescia Consulting LLC

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

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