



SALTILLO PUBLIC IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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SALTILLO PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2015**

Board of Directors

Michael Riordan	Chairman
Cilia Aglialoro	Clerk
Rex Wilson	Treasurer
Jon Zaman	Member
Scott Grady	Member

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of Saltillo Public Improvement District (the "District") as of and for the year ended June 30, 2015, 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 individual fund financial statements as of and for the year ended June 30, 2015, 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. Tim Keller
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 comparison for the general fund of Saltillo Public Improvement District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparisons for the capital project fund and debt service funds for the year ended June 30, 2015 in accordance 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 Information

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 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
December 4, 2015

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015**

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 year ending June 30, 2015. 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 year 2015 as follows:

- In the Statements of Net Position, the District's total net position as of June 30, 2015 amounted to negative \$3,541,062.
- In the Statements of Activities, the special levy revenue amounted to \$521,844.
- In the Statements of Activities, the District incurred \$442,339 in debt service payments and general government expenses for year ended June 30, 2015.

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, 2015**

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 11 and 13, 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 15 of these financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a district's financial position. As of June 30, 2015, the District's liabilities exceeded by \$3,541,062.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2015**

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

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 1,010,976	1,071,926
Total Assets	<u>1,010,976</u>	<u>1,071,926</u>
Current Liabilities	127,643	201,138
Long-term Obligations		
Outstanding	<u>4,424,395</u>	<u>4,491,447</u>
Total Liabilities	<u>4,552,038</u>	<u>4,692,585</u>
Net Position – Unrestricted (deficit)	\$ <u>(3,541,062)</u>	<u>(3,620,659)</u>

The following are significant transactions that have had an impact on the Statements of Net Position for the year ended June 30, 2015:

- Administrative expenditures and interest expense amounted to \$95,693 and \$346,646, respectively.
- Assessment of Special levy of \$521,844.

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

	<u>2015</u>	<u>2014</u>
Expenses		
Interest	\$ (346,646)	(351,888)
General government	<u>(95,693)</u>	<u>(66,955)</u>
Total Expenses	<u>(442,339)</u>	<u>(418,843)</u>
General Revenues		
Special levy	521,844	516,388
Interest	<u>92</u>	<u>91</u>
Total Revenues	<u>521,936</u>	<u>516,479</u>
Change in net position	\$ <u>79,597</u>	<u>97,636</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds for the year ended June 30, 2015 amounted to \$521,936. 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, 2015**

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 2015.

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, 2015 amounted to \$4,490,000. The next principal payment of \$80,000 was made on October 1, 2015.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2015 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, Rex Wilson, P.O. Box 17, Albuquerque, NM 87103.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,006,836
Special levy receivable	4,140
Total assets	<u><u>\$ 1,010,976</u></u>
LIABILITIES	
Accrued expenses	\$ 42,051
Interest payable	85,592
Revenue bonds payable	
Due within one year	77,052
Due in more than one year	4,347,343
Total liabilities	<u><u>\$ 4,552,038</u></u>
NET POSITION	
Unrestricted	<u><u>\$ (3,541,062)</u></u>

See Notes to Financial Statements.

SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Interest expense	\$ 346,646	(346,646)
General government	95,693	(95,693)
Total expenses	<u>\$ 442,339</u>	<u>(442,339)</u>
General Revenues		
Special levy		521,844
Interest income		92
Total revenues		<u>521,936</u>
Change in net position		79,597
Net position, beginning		<u>(3,620,659)</u>
Net position, ending		<u>\$ (3,541,062)</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 513,244	-	70,981	422,611	1,006,836
Special levy receivable	4,140	-	-	-	4,140
Total assets	<u>\$ 517,384</u>	<u>-</u>	<u>70,981</u>	<u>422,611</u>	<u>1,010,976</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 42,051	-	-	-	42,051
Total liabilities	<u>42,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,051</u>
Fund Balances					
Restricted	-	-	70,981	422,611	493,592
Unassigned	475,333	-	-	-	475,333
Total fund balances	<u>475,333</u>	<u>-</u>	<u>70,981</u>	<u>422,611</u>	<u>968,925</u>
Total liabilities and fund balances	<u>\$ 517,384</u>	<u>-</u>	<u>70,981</u>	<u>422,611</u>	<u>1,010,976</u>

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
Year Ended June 30, 2015**

Reconciliation of the Governmental Fund Balance
Sheet to the Statement of Net Position:

Fund balances - total governmental funds \$ 968,925

Amounts reported for governmental activities in
the Statement 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. (4,424,395)

Interest payable on long-term debt is not accrued
in the governmental funds, but rather is recognized
as an expenditure when due. (85,592)

Net position of governmental activities \$ (3,541,062)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 521,844	-	-	-	521,844
Interest income	40	6	2	44	92
Total revenues	521,884	6	2	44	521,936
Expenditures					
General government	95,693	-	-	-	95,693
Debt service:	-	-	-	-	-
Interest	-	-	345,031	-	345,031
Principal	-	-	70,000	-	70,000
Total expenditures	95,693	-	415,031	-	510,724
Excess (deficiency) of revenues over (under) expenditures	426,191	6	(415,029)	44	11,212
Other financing sources (uses)					
Transfer in	-	-	485,924	-	485,924
Transfer out	(415,026)	(70,854)	-	(44)	(485,924)
Total	(415,026)	(70,854)	485,924	(44)	-
Net change in fund balances	11,165	(70,848)	70,895	-	11,212
Fund balances, beginning	464,168	70,848	86	422,611	957,713
Fund balances, ending	\$ 475,333	-	70,981	422,611	968,925

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Years Ended June 30, 2015**

Reconciliation of the Governmental Fund Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Net Position:

Net change in fund balances - total governmental funds	\$	11,212
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Amounts reported for governmental activities in the
Statement 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.	(1,615)
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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>70,000</u>
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Change in net position of governmental activities	<u>\$</u>	<u>79,597</u>
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See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ 521,844	521,844	521,844	-
Interest income	-	-	40	40
Total Revenues	521,844	521,844	521,884	40
Expenditures				
Current:				
General government	141,473	141,473	95,693	45,780
Total Expenditures	141,473	141,473	95,693	45,780
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(415,026)	(415,026)
Total	-	-	(415,026)	(415,026)
Net Change in Fund Balances	380,371	380,371	11,165	(369,206)
Fund Balances, beginning	464,168	464,168	464,168	-
Fund Balances, ending	\$ 844,539	844,539	475,333	(369,206)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015**

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, 2015**

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, 2015, 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, 2015**

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, 2015, 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, 2015**

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>2015</u>
Held in trust by Wells Fargo in U.S. Treasury Fund	<u>\$ 1,006,836</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, 2015.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4. REVENUE BONDS (CONTINUED)

The Revenue Bonds bear annual interest of 7.625%, with final maturity on October 1, 2037. The following are the changes for Revenue Bonds during the year:

	July 1	Increases	Decreases	June 30
Special Levy Revenue Bonds	\$ 4,560,000	-	(70,000)	4,490,000
Unamortized bond discount	(68,553)	2,948	-	(65,605)
	<u>\$ 4,491,447</u>	<u>2,948</u>	<u>(70,000)</u>	<u>4,424,395</u>

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>
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	105,000	311,672	416,672
2021 – 2025	650,000	1,422,062	2,072,062
2026 – 2030	935,000	1,122,591	2,057,591
2031 – 2035	1,360,000	690,063	2,050,063
2036 – 2038	1,090,000	128,862	1,218,862
	<u>\$ 4,490,000</u>	<u>4,993,232</u>	<u>9,483,232</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, 2015 is \$3,541,062.

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, 2015 does not expect to incur a liability.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7. INTERFUND TRANSFERS

For the year ended June 30, 2015, the District transfers were made to fund debt service payments and administrative expenses. The following transfers were made during the year:

<u>Transfer Out</u>	<u>Transfer In</u>
	Bond Fund
General Fund	\$ 415,026
Reserve Fund	44
Project Fund	70,854
	<u>\$ 485,924</u>

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ -	-	-	-
Dividend income	-	-	6	6
Total Revenues	-	-	6	6
Expenditures				
Public works - construction	-	-	-	-
General government	-	-	-	-
Total Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(70,854)	(70,854)
Total	-	-	(70,854)	(70,854)
Net Change in Fund Balances	-	-	(70,848)	(70,848)
Fund Balances, beginning	70,848	70,848	70,848	-
Fund Balances, ending	\$ 70,848	70,848	-	(70,848)

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	2	2
Dividend income	-	-	-	-
Total Revenues	-	-	2	2
Expenditures				
Debt Service:				
Interest	345,031	345,031	345,031	-
Principal	70,000	70,000	70,000	-
Total Expenditures	415,031	415,031	415,031	-
Other Financing Sources (Uses)				
Transfer in	-	-	485,924	485,924
Transfer out	-	-	-	-
Total	-	-	485,924	485,924
Net Change in Fund Balances	(415,031)	(415,031)	70,895	485,926
Fund Balances, beginning	86	86	86	-
Fund Balances, ending	\$ (414,945)	(414,945)	70,981	485,926

See Notes to Financial Statements.

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	44	44
Dividend income	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>44</u>	<u>44</u>
Other Financing Sources (Uses)				
Transfer out	-	-	(44)	(44)
Total	<u>-</u>	<u>-</u>	<u>(44)</u>	<u>(44)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, beginning	<u>422,611</u>	<u>422,611</u>	<u>422,611</u>	<u>-</u>
Fund Balances, ending	<u>\$ 422,611</u>	<u>422,611</u>	<u>422,611</u>	<u>-</u>

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. Tim Keller
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 year ended June 30, 2015, 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 December 4, 2015.

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. Tim Keller
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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 4, 2015

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDED JUNE 30, 2015**

2009-001	Budget Overspending	Resolved
2012-001	Late Audit Report	Resolved
2014-001	Late Submission of IPA Recommendation Form and Audit Contract	Resolved

Saltillo Public Improvement District
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015
 Prepared by Agency Staff Name: Dee Brescia, Accountant Date: June 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
N/A								

**SALTILLO PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2015**

An exit conference was held on December 4, 2015. Attending were the following:

Representing Saltillo Public Improvement District:

Rex Wilson, Treasurer
Jill Sweeney, Sherman & 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.